

Microfinance, poverty  
alleviation & women  
entrepreneurs in the  
Bangladeshi community:  
rhetoric and realities

---

By Muhammad Abu Naser



## Acknowledgements

Academically, I would like to thank, my supervisor Professor David Crowther for his kind assistance, encouragement, patience and continues support and engagement. You have set an example of excellence as a mentor, researcher, instructor, and a role model.

Special thanks to Miss Loredana Laura Modog & Mrs.Shahla Seifi for their excellent support and motivation.

Many thanks to my previous 2nd supervisor Dr Kamail Omoteso.

The microfinance associated people who kindly accepted to give their time and information. Without assistance of these individuals, the thesis would not be possible.

I would particularly like to thank my outstanding family for the love, kind support, and constant encouragement, my university colleagues who supported me expressively and encouraged me each stage. My broader family and networks were likewise of countless assistance throughout this period and their care is much cherished.





**Microfinance, poverty alleviation & women entrepreneurs in the Bangladeshi community: rhetoric and realities**

Muhammad Abu Naser

Doctor of Philosophy

2018

**ABSTRACT**

The subject of this study developed from a personal interest in the financial crisis of developing countries. The study develops, extends and contributes to the existing knowledge about microfinance in general and Bangladesh in particular, and raises ethical considerations for the industry. The objective of this thesis is to critically investigate and evaluate the realities of micro lending in Bangladesh. In particular it appraises the costs and benefits from the perspective of a) the user b) the lender and c) the government. The thesis also sheds some light on UK based Bangladeshi small-scale entrepreneurs and their microfinance-based ventures. This investigation utilises quantitative and qualitative data collection methods, including focus groups, semi-structured interviews and questionnaires.

Since the 1970s microfinance has developed into a mainstream approach to poverty alleviation in the developing world. It has developed its credentials in the academic field, has been utilised as strategy by banks and has been given the backing of world institutions like the IMF and the World Bank. The approach has become widespread as an acceptable approach and set of tools to address the issue of poverty amongst the poor. However, this thesis argues that despite the rhetoric and hype surrounding microfinance as a novel system of lending to alleviate poverty and enhance opportunity for the poor, it fails to meet its objectives. The research finds that the reality of micro credit, contrary to its stated purposes, was to lock small-scale entrepreneurs into greater debt. Furthermore, the field research found that women were the primary recipients and users of microfinance. The thesis does not take issue with the theoretical models and normative objectives of micro finance which are, arguably, necessary, desirable and possible. This research concludes, however, that the reality and practice is not only at

odds with theory but is contrary to the normative objectives of the rhetoric of microfinance. For instance, while people in extreme poverty in Bangladesh can gain access to microfinance to deal with emergency situations, it does not necessarily advance entrepreneurial activity.

Key words:

Microfinance

Women entrepreneurship

CSR

Poverty alleviation

Sustainable growth

Sustainable business

**Publications/conference papers:**

- Naser, M (2011) 'Microfinance and the elimination of poverty', Faculty of Economics, University of Banja Luka, Bosnia and Herzegovina.
- Naser, M (2012) 'Creativity and Microfinance', 2nd Organisation Governance Conference- Rabat, Morocco.
- Practical Wisdom Conference -USA, New Haven, Yale University, 2013.
- Naser, M (2014) 'Motivation and Microfinance', 4th Organisational Governance Conference, Bucharest University of Economic Studies- Bucharest, Romania.
- Naser, M & Crowther, D (2015) 'Microfinance and Women empowerment', 5<sup>th</sup> Organisational Governance & 14th CSR Conference, Kırklareli University, Turkey.
- Naser, M (2016) 'Crypto currency and Microfinance' 6<sup>th</sup> Organisation Governance & 15th CSR Conference, Federation University, Melbourne, Australia. ISSN- 2048-0806.
- Naser, M (2016) "The impact of Brexit on foreign investment in the UK" November 2016, Tokyo. Invitation and sponsorship from German Chamber of Commerce. Presentation delivered to Japanese investors.
- Naser, M & Crowther, D (2016) 'Microfinance and Women Empowerment' Corporate Responsibility and Stakeholding Developments in Corporate Governance and Responsibility, Volume 10, 5168 by Emerald Group Publishing Limited. ISSN: 2043-0523/doi:10.1108/S2043-052320160000010004.



## Table of Contents

|  |           |
|--|-----------|
| <b>CHAPTER 1 .....</b>   | <b>20</b> |
| <b>OVERVIEW OF MICROFINANCE.....</b>   | <b>20</b> |
| 1.1 SUMMARY .....  | 20        |
| 1.2 INTRODUCTION.....  | 20        |
| 1.3 RESEARCH QUESTIONS: .....  | 21        |
| 1.4 RESEARCH OBJECTIVES: .....   | 22        |
| <b>CHAPTER 2 .....</b>   | <b>26</b> |
| <b>LITERATURE REVIEW .....</b>   | <b>26</b> |
| 2.1 SUMMARY .....  | 26        |
| 2.2 INTRODUCTION.....  | 26        |
| 2.3 EVALUATIONS OF MICROFINANCE .....  | 27        |
| 2.4 FACTORS INFLUENCING MICROFINANCE ACTIVITIES .....                              | 28        |
| 2.5 THE EVOLUTION OF THE MICROFINANCE INDUSTRY IN BANGLADESH .....                 | 29        |
| 2.6 MICROFINANCE BUSINESS AND THE DEVELOPMENT NEEDS.....                           | 31        |
| 2.7 THE IMPACT OF MICROFINANCE ON ECONOMIC EMPOWERMENT .....                       | 34        |
| 2.8 THE IMPACT OF MICROFINANCE ON FAMILY AND SOCIAL EMPOWERMENT .....              | 35        |
| 2.9 IMPACT ON URBAL EMPOWERMENT .....  | 35        |
| 2.10 REPAYMENT AND FOOD CONSUMPTION.....   | 36        |
| 2.11 MICROFINANCE OPERATIONS NEAR BANGLADESH .....                                 | 39        |
| 2.12 EFFICIENCY OF MICROFINANCE INSTITUTIONS IN INDIA.....                         | 41        |
| 2.13 POSITIVE IMPACT OF MICROFINANCE .....   | 47        |
| 2.14 MICROFINANCE AND ITS SERVICES FOR BUSINESS START-UPS .....                    | 54        |
| 2.15 MICROFINANCE AND ITS INFLUENCE ON DOMESTIC VIOLENCE.....                      | 58        |
| 2.16 SOCIAL CAPITAL .....  | 60        |
| 2.17 IMPLICATIONS FOR WOMEN AND MICROCREDIT .....                                  | 62        |
| 2.18 THE IMPACT OF MICROCREDIT ON THE POOR IN BANGLADESH.....                      | 69        |
| 2.19 THE ISSUE OF MULTIPLE BORROWING.....  | 72        |
| 2.20 THE DARK SIDE OF MICROFINANCE .....   | 75        |
| 2.20.1 Inflexible loan repayment rules and targeting mainly women related issues.. | 76        |
| 2.20.2 Interest and transaction costs and small loan-related issues.....           | 76        |

|  |            |
|--|------------|
| 2.21 MODERN BANGLADESH.....  | 82         |
| 2.22 AGGRESSIVE MICROFINANCE INSTITUTIONS IN BANGLADESH.....                       | 83         |
| 2.23 ETHICS, CSR AND SIZE OF THE MICROFINANCE INSTITUTIONS .....                   | 85         |
| 2.24 CONCLUSIONS .....   | 88         |
| <b>CHAPTER 3 .....</b>   | <b>90</b>  |
| <b>CONTEXTUAL FACTORS.....</b>   | <b>90</b>  |
| 3.1 SUMMARY .....  | 90         |
| 3.2 INTRODUCTION.....  | 90         |
| 3.3 THE 1970S .....  | 91         |
| 3.4 THE 1980S .....  | 92         |
| 3.5 EARLY TO MID-1990S.....  | 93         |
| 3.6 MID-1990S ONWARDS .....  | 93         |
| 3.7 MARKET-BASED APPROACHES .....  | 107        |
| 3.8 ECONOMIC, SOCIAL AND ENVIRONMENTAL VULNERABILITIES .....                       | 107        |
| 3.8.1 <i>Economic vulnerability</i> .....  | 108        |
| 3.8.2 <i>Social vulnerability</i> .....  | 108        |
| 3.8.3 <i>Environmental vulnerability</i> .....                                     | 109        |
| 3.9 HISTORY OF BANGLADESHI PEOPLE IN EAST LONDON, UK.....                          | 111        |
| 3.10 MICROFINANCE MODELS IN WESTERN EUROPE.....                                    | 113        |
| 3.11 CONCLUSIONS .....   | 120        |
| <b>CHAPTER 4.....</b>  | <b>122</b> |
| <b>METHODOLOGY .....</b>   | <b>122</b> |
| 4.1 SUMMARY .....  | 122        |
| 4.2 INTRODUCTION.....  | 122        |
| 4.3 TYPES OF RESEARCH METHODOLOGY .....  | 123        |
| 4.3.1 <i>Methodological Technique</i> .....  | 130        |
| 4.4 QUALITATIVE VERSUS QUANTITATIVE RESEARCH.....                                  | 134        |
| 4.5 DATA COLLECTION .....  | 137        |
| 4.6 DATA ANALYSIS.....   | 138        |
| 4.7 PILOT STUDY .....  | 139        |
| 4.8 THE SAMPLING METHOD.....   | 139        |
| 4.9 SOURCES OF DATA FOR QUALITATIVE RESEARCH.....                                  | 140        |
| 4.10 THE QUESTIONNAIRE DESIGN .....  | 140        |
| 4.10.1 <i>Three major thoughts with relation to the design of questions:</i> ..... | 141        |
| 4.11 QUALITATIVE RESEARCH AND DATA ANALYSIS.....                                   | 143        |

|  |            |
|--|------------|
| 4.11.1 Applied projective methods for focus groups and intense interviews..... | 143        |
| 4.11.2 Practical projective techniques.....                                    | 144        |
| 4.11.3 Third party projections.....  | 144        |
| 4.11.4 Role-playing .....  | 144        |
| 4.11.5 Associations.....   | 144        |
| 4.12 PROJECTIVE TECHNIQUES AND LADDERING.....                                  | 145        |
| 4.13 LIMITATIONS OF THIS RESEARCH METHODOLOGY AND RELIABILITY.....             | 145        |
| 4.14 ETHICAL CONSIDERATIONS .....  | 146        |
| 4.15 CONCLUSIONS .....   | 147        |
| <b>CHAPTER 5 .....</b>   | <b>148</b> |
| <b>FINDINGS .....</b>  | <b>148</b> |
| 5.1 SUMMARY .....  | 148        |
| 5.2 INTRODUCTION.....  | 148        |
| 5.3 RESEARCH HYPOTHESES.....   | 148        |
| 5.4 PERCEPTIONS OF THE IMPORTANCE OF MICROFINANCE AVAILABILITY .....           | 156        |
| 5.5 USERS OF MICROFINANCE.....   | 158        |
| 5.6 IMPORTANCE OF MICROFINANCE FACILITIES .....                                | 159        |
| 5.7 USER BY GENDER .....   | 162        |
| 5.8 AGE GROUP .....  | 162        |
| 5.9 INTERESTED IN TRAINING .....   | 163        |
| 5.10 INTEREST RATE CHARGED .....   | 164        |
| 5.11 BANKS HAVE GOOD SCOPE THROUGH MICROFINANCE: .....                         | 166        |
| 5.12 LOAN FROM BANKS OR MFIS.....  | 166        |
| 5.13 FACTORS ARE MORE CRUCIAL FOR RAPID GROWTH OF MFIS.....                    | 167        |
| 5.14 MICROFINANCE HAS HELPED IN RURAL BANGLADESH .....                         | 168        |
| 5.15 CONCEPT OF RURAL VS URBAN .....   | 169        |
| 5.16 MICROFINANCE AND ITS CONTRIBUTION TO UNEMPLOYED URBAN YOUTH .....         | 170        |
| 5.17 DOMINATION OF MICROFINANCE INSTITUTIONS (MFI) .....                       | 171        |
| 5.18 THE FUTURE OF MICROFINANCE AND ENTREPRENEURSHIP.....                      | 172        |
| 5.19 FOCUS GROUP DATA ANALYSIS .....   | 172        |
| 5.20 RESPONDENT SATISFACTION OF MICROFINANCE .....                             | 173        |
| 5.21 STEREOTYPING AND NEGATIVE EXPERIENCES WITH MICRO LOANS .....              | 174        |
| 5.22 TRUST AND MICROFINANCE USERS.....   | 175        |
| 5.23 SERVICE-RELATED ISSUES INCLUDING TRAINING.....                            | 176        |
| 5.24 SYSTEMIC CHALLENGES / BARRIERS TO GROWTH AND PROGRESS .....               | 177        |

|  |            |
|--|------------|
| 5.25 FIELD REPRESENTATIVES RECOMMENDATIONS .....   | 177        |
| 5.26 CONCLUSIONS .....   | 178        |
| <b>CHAPTER 6.....</b>  | <b>179</b> |
| <b>FINDINGS ON UK-BASED BANGLADESHI SMALL-SCALE ENTREPRENEURS.....</b>   | <b>179</b> |
| 6.1 SUMMARY .....  | 179        |
| 6.2 INTRODUCTION.....  | 179        |
| 6.3 COMPARE AND CONTRAST UK BASED BANGLADESHI ENTREPRENEURS AND ENTREPRENEURS<br>BASED IN BANGLADESH .....   | 180        |
| 6.4 LENGTH OF BUSINESS .....   | 181        |
| 6.5 NUMBER OF EMPLOYEES.....   | 182        |
| 6.6 EDUCATION BACKGROUND .....   | 182        |
| 6.7 FAMILY EXPERIENCE IN OWNING BUSINESS.....  | 182        |
| 6.8 BUSINESS GOALS .....   | 183        |
| 6.9 SOURCES OF FINANCE .....   | 183        |
| 6.10 CONCLUSIONS .....   | 183        |
| <b>CHAPTER 7 .....</b>   | <b>185</b> |
| <b>MORE ON FINDINGS AND THE FUTURE OF THE MICRO FINANCE INDUSTRY .....</b>   | <b>185</b> |
| 7.1 SUMMARY .....  | 185        |
| 7.2 INTRODUCTION.....  | 185        |
| 7.3 CSR AND MICROFINANCE .....   | 185        |
| 7.4 FACTORS THAT INFLUENCE HOW MICRO BUSINESS OWNERS DEVELOP THEIR<br>ENTREPRENEURIAL CAPABILITY.....  | 188        |
| 7.5 THE MOTIVATION TOWARDS TRAINING.....   | 191        |
| 7.6 THE DIFFERENCE BETWEEN THE SOURCE OF FINANCE SOUGHT BY MICRO ENTREPRENEURS IN<br>BANGLADESH AND BANGLADESHI MICRO ENTREPRENEURS BASED IN THE UK..... | 191        |
| 7.7 THE FUTURE OF MICROFINANCE AND FEMALE ENTREPRENEURSHIP .....   | 193        |
| 7.8 KEY DISCUSSION ARGUMENTS FROM SEVERAL CONTRIBUTIONS IN THIS AREA.....  | 200        |
| 7.9 CONCLUSIONS .....  | 202        |
| <b>CHAPTER 8.....</b>  | <b>203</b> |
| <b>RESEARCH CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS.....</b>  | <b>203</b> |
| 8.1 SUMMARY .....  | 203        |
| 8.2 INTRODUCTION.....  | 203        |
| 8.3 CONCLUSIONS RELATED TO THE RESEARCH QUESTIONS.....   | 203        |
| 8.4 CONTRIBUTION OF THE STUDY TO KNOWLEDGE .....   | 206        |



|   |            |
|---|------------|
| 8.5 RESEARCH RECOMMENDATIONS.....   | 211        |
| 8.6 LIMITATIONS.....  | 215        |
| 8.7 IMPLICATIONS FOR FURTHER RESEARCH.....  | 217        |
| 8.8 CONCLUSIONS .....   | 219        |
| <b>REFERENCES.....</b>  | <b>221</b> |
| <b>APPENDICES .....</b>   | <b>255</b> |
| APPENDIX 1: MICROFINANCE TERMINOLOGY.....   | 255        |
| APPENDIX 2: MAIN PROVIDERS OF MICROFINANCE IN BANGLADESH.....                     | 257        |
| APPENDIX 3: TOP MFIs BASED ON NUMBER OF BRANCHES .....                            | 258        |
| APPENDIX 4: INTEREST RATE CAP IN SOME ASIAN COUNTRIES.....                        | 271        |
| APPENDIX 5: QUESTIONNAIRE FOR MICROFINANCE USERS .....                            | 272        |
| APPENDIX 6: DIMENSIONS/VARIABLE AFFECTING ETHICAL WAY IN BANGLADESHI CONTEXT..... | 275        |
| APPENDIX 7: TOP 25 ITEMS FOR WHICH MEMBERS TOOK LOANS .....                       | 276        |
| APPENDIX 8: SPSS OUTPUT .....   | 277        |

Appendix 1 shows microfinance-related terminology and Appendix 2 provides information about big microfinance institutions in Bangladesh. Details of top MFIs operations in Bangladesh are based in Appendix 3. The Figure showing the interest rate cap in some Asian countries is in Appendix 4. The research questionnaires are found in Appendix 5. More information on ethics and CSR conducted by the microfinance industry is in Appendix 6. More information on types of business operations by microfinance-based entrepreneurs is provided in Appendix 7. Details of SPSS generated outputs of this research are given in Appendix 8. Appendix 8 also shows how the researcher had generated outputs by pooling and merging different cross-sectional data to attain statistical significance.



## List of Tables

|   |     |
|---|-----|
| <i>Table 2.1: MFI's effective interest rates</i> .....  | 77  |
| <i>Table 3.1: Constraints to investor and enterprise support in Bangladesh</i> .....                        | 95  |
| <i>Table 3.2: Roles, mandate, and perceptions of the three key regulators in Bangladesh</i> .....           | 97  |
| <i>Table 3.3: Summary of debt</i> .....   | 99  |
| <i>Table 3.4: Gender equality index for economic participation</i> .....                                    | 101 |
| <i>Table 3.5: Women entrepreneurs in various sectors in Bangladesh areas</i> .....                          | 104 |
| <i>Table 3.6: Bangladesh &amp; macro-economic outlook indicators</i> .....                                  | 106 |
| <i>Table 4.1: Alternative terms for the main research paradigms</i> .....                                   | 124 |
| <i>Table 4.2: Approach to social sciences research</i> .....  | 128 |
| <i>Table 4. 3: Research methodology engaged in this research (developed by researcher) ..</i>               | 129 |
| <i>Table 5.1: Interested in training</i> .....  | 152 |
| <i>Table 5.2: Microfinance is a tool to eliminate poverty</i> .....   | 153 |
| <i>Table 5.3: Targeting by BRAC Bank</i> .....  | 154 |
| <i>Table 5.4: Perceptions of the importance of microfinance availability</i> .....                          | 156 |
| <i>Table 5.5: Users of microfinance</i> .....   | 158 |
| <i>Table 5.6: Importance of microfinance facilities</i> .....   | 159 |
| <i>Table 5.7: Case processing summary</i> .....   | 160 |
| <i>Table 5.8: Importance of microfinance facilities * user of microfinance Cross tabulation Count</i> ..... | 160 |
| <i>Table 5.9: Chi-square tests</i> .....  | 161 |
| <i>Table 5. 10: Chi-square tests</i> .....  | 161 |
| <i>Table 5.11: User by gender</i> .....   | 162 |
| <i>Table 5.12: Age group</i> .....  | 163 |
| <i>Table 5.13: Effective interest rate by region and intervals</i> .....                                    | 165 |
| <i>Table 5.14: Banks have good scope through microfinance</i> .....   | 166 |
| <i>Table 5.15: Statistics loan from banks or MFIs</i> .....   | 167 |
| <i>Table 5.16: Loan from banks or MFIs</i> .....  | 167 |
| <i>Table 5.17: Factors are more crucial for rapid growth of MFIs</i> .....                                  | 168 |
| <i>Table 5. 18: Microfinance has helped in rural Bangladesh</i> .....                                       | 168 |
| <i>Table 5.19: Dominance of microfinance institutions in terms of clients</i> .....                         | 171 |
| <i>Table 5.20: Dominance of microfinance institutions in terms of members</i> .....                         | 171 |

*Table 7.1: Four largest MFIs and the microfinance market..... 194*

*Table 7.2: Microfinance penetration by country (and region) in 2009..... 196*

*Table 8. 1: Research outputs as per research question in terms of theoretical and practical contributions and implications..... 207*

## List of Figures

|  |     |
|--|-----|
| <i>Figure 2.1: Growth in Grameen Bank membership, 1976–2001</i>  | 30  |
| <i>Figure 2.2: The vicious cycle of increasing debt</i>  | 32  |
| <i>Figure 2.3: The comparison of return on investment between rich and poor entrepreneurs</i>                | 33  |
| <i>Figure 2.4: Average intent-to-treat effects by country</i>  | 48  |
| <i>Figure 2.5: Pooled average intent-to-treat effects</i>  | 49  |
| <i>Figure 2.6: The ultra-poor graduation approach</i>  | 51  |
| <i>Figure 2.7: BRAC's operations in different countries and ultra poverty graduations model</i>              | 52  |
| <i>Figure 2.8: The ultra-poor graduation approach</i>  | 53  |
| <i>Figure 2.9: Trends and patterns of poverty in rural Bangladesh</i>  | 71  |
| <i>Figure 3.1: Challenges facing enterprises in Bangladesh (% of respondents)</i>                            | 95  |
| <i>Figure 3.2: The inflation rate in Bangladesh</i>  | 100 |
| <i>Figure 3.3: Adult literacy rate in Bangladesh</i>   | 102 |
| <i>Figure 3.4: Literacy rate of population by age 7 years or over by gender, 2010</i>                        | 103 |
| <i>Figure 3.5: Major technologies transforming financial services</i>  | 105 |
| <i>Figure 3.6: Loan repayment amounts</i>  | 117 |
| <i>Figure 3.7: Interest &amp; fees along with weekly repayments</i>  | 118 |
| <i>Figure 3.8: Density of loan takers by region</i>  | 119 |
| <i>Figure 4.1: Paradigms and the issue of subjective-objective dimension</i>                                 | 124 |
| <i>Figure 5.1: Microfinance and its effect on women entrepreneurs</i>  | 149 |
| <i>Figure 5.2: Micro finance users do not need additional training on how to use microfinance facilities</i> | 152 |
| <i>Figure 5.3: It's not possible to reduce poverty without Microfinance</i>                                  | 153 |
| <i>Figure 5.4: Response on microfinance and its contribution to eliminate poverty</i>                        | 154 |
| <i>Figure 5.5: Poverty headcount ratio at national poverty lines (% of population)</i>                       | 156 |
| <i>Figure 5.6: Importance of the existence of micro finance</i>  | 157 |
| <i>Figure 5.7: Users of microfinance</i>   | 158 |
| <i>Figure 5.8: Importance of microfinance facilities</i>   | 160 |
| <i>Figure 5.9: Microfinance users by gender</i>  | 162 |
| <i>Figure 5.10: Respondents of micro finance users by age group</i>  | 163 |

|   |            |
|---|------------|
| <i>Figure 5.11: Importance of training in the micro finance industry.....</i>     | <i>164</i> |
| <i>Figure 5.12: Respondents' view on excessive interest rates.....</i>            | <i>165</i> |
| <i>Figure 5.13: Banks and entrepreneurs scope through microfinance.....</i>       | <i>166</i> |
| <i>Figure 5.14: Preference of finance institutions by demand side.....</i>        | <i>167</i> |
| <i>Figure 5.15: Factors are more critical for rapid growth of MFIs.....</i>       | <i>168</i> |
| <i>Figure 5.16: Microfinance and its contribution to rural Bangladesh .....</i>   | <i>169</i> |
| <i>Figure 5.17: Comparison of micro finance concept rural vs urban areas.....</i> | <i>170</i> |
| <i>Figure 5.18: Microfinance contribution to unemployed urban youth.....</i>      | <i>170</i> |

## List of Abbreviations

|  |         |
|--|---------|
| Accounting and Auditing Organisation for Islamic Financial Institutions..... | AAOIFI  |
| Accounting and Auditing Association .....                                    | AAA     |
| Accounting and Auditing Standards Board .....                                | AASB    |
| Association of Chartered Certified Accountants .....                         | ACCA    |
| Bangladesh Rehabilitation Assistance Committee .....                         | BRAC    |
| Microfinance Institutions.....   | MFI     |
| Committee for Economic Development.....                                      | CED     |
| Competitive Industrial Performance.....                                      | CIP     |
| Corporate Citizenship.....   | CC      |
| Corporate Financial Performance.....   | CFP     |
| Corporate Governance.....  | CG      |
| Corporate Responsibility.....  | CR      |
| Corporate Social Performance.....  | CSP     |
| Corporate Social Responsibility .....  | CSR     |
| Chartered Institute of Management Accountants .....                          | CIMA    |
| European Commission.....   | EC      |
| Financial Accounting Organisation for Islamic .....                          | FAOIBFI |
| Financial Accounting Standards .....   | FAS     |
| Generally Accepted Accounting Principles .....                               | GAAP    |
| Grameen Bank.....  | GB      |
| International Accounting Harmonisation .....                                 | IAH     |
| International Accounting Standards .....                                     | IAS     |
| Institute of Chartered Accountants in England and Wales .....                | ICAEW   |
| Islamic Finance and Banking .....  | IFB     |
| International Financial Reporting Standards .....                            | IFRS    |
| International Monetary Fund.....   | IMF     |
| International Shari'a Research Academy .....                                 | ISRA    |
| Non-governmental organisations .....   | NGO     |
| The Association for Social Advancement .....                                 | ASA     |
| World Trade Organisation .....   | WTO     |





## **CHAPTER 1**

### **Overview of Microfinance**

#### **1.1 Summary**

The thesis is concerned with the area of microfinance with a particular focus on critical evaluation of its impact on the end user (the extreme and ultra-poor in developing countries). The thesis argues that, despite rhetoric and hype surrounding microfinance as a novel system of lending to alleviate poverty and enhance opportunity for the poor, it fails to meet its objectives. The research finds that contrary to its stated purposes the reality of micro credit amongst some of the respondents was to lock them into a cycle of increasing debt. The thesis does not take issue with the models and objectives of micro finance, which are necessary, desirable and possible. However, the research indicates there are antecedents for the successful operation of microfinance, which tend to be ignored in the wider literature and Bangladeshi operational practice.

Microfinance-based and microfinance-related businesses are faced with many challenges, unique to their type and size, operation and finance, especially London-based Bangladeshi entrepreneurs. Some of these challenges include source and business support, and more importantly access to capital, distribution systems and feasibility-related issues in terms of market access, knowledge & quality of information (McElwee, 2006).

#### **1.2 Introduction**

The conventional view of such a microfinance-related operation is that it provides a means for the organisation, or its representatives, to communicate the past actions of the company, such as the Grameen bank one of the main microfinance institutions, the results of those past actions, and the intended future actions of the company.

Without micro credit the borrower would find life harder. However, with insufficient returns and possible high interest rates the borrower may survive for short-term but the long-term could be precarious. This thesis will argue that the current approach to debt financing may not be an effective tool for helping most poor people to enhance their economic security and ensure the sustainability of their enterprise. This thesis provides some pointers to where new micro finance research could address the potential shortcomings of this approach to poverty alleviation, including the social issues it creates. The application of different methods can lead to different, but more efficacious and practically salient outcomes (Dewald et al., 1986; McCullough et al., 2006; McCullough et al., 2008).

Contemporary profitable participants in Bangladesh, such as consumer moneylenders and commercial banks are changing the microfinance industry. The service providers are competing with each other as customer numbers are increasing on a regular basis. In response to commercial entry and increased rivalry, microfinance programmes are seeking to improve facilities, develop different products, introduce cost-saving equipment, and lower prices. While the theory of competitive markets would argue that the customer benefits, such changes in the competitive landscape also bring risks, not only for institutions but also their clients. For instance, in the case of the micro finance borrower with little experience of money management and multiple pressing needs with limited availability of finance, there is greater risk of over-indebtedness by customers. On the other hand, supplier competitiveness could lead to a reduced level of risk assessment in the pursuit of maintaining or increasing market share. Further, the likelihood of provider failure has the potential to disrupt sources of finance for the customer, reduce geographical spread and ultimately reduce micro finance availability on aggregate.

This thesis will explore the following questions and, using the inductive method, try to shed light on the reality of micro finance in the Bangladeshi community.

### **1.3 Research questions:**

- Has micro finance had a significant effect on women entrepreneurs in Bangladesh?
- What factors influence the source of finance sought by micro businesses?

- What motivates micro business applicants to approach microfinance institutions?
- Is there any difference between sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK?

#### **1.4 Research objectives:**

- Make recommendations for the development of the business strategy adopted by the microfinance organisations in order to further benefit the MFI's various stakeholders.
- Contribute towards the development and extension of knowledge related to the alleviation of poverty, entrepreneurial skills, training and development, interest rates and sustainable business within the microfinance industry in Bangladesh.
- Lastly, this thesis will address the strategic issues and considerations of other factors and the difference between sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs in the UK.

Given the exploratory, inductive type of the study and the diversity of microfinance-related trade, it is expected the research will identify problematic issues 'from the ground up' that are usually neglected by the normative microfinance literature, and thereby open up areas for further research and investigation.

The microfinance community started to become recognised as an expanding field in the early 1980s, with its revolutionary institutions such as the famous Grameen Bank in Bangladesh, and later ASA and BRAC (Bangladesh Rural Advancement Committee) a non-profit organisation primarily aimed at building a financially inclusive world with economic opportunity for all, by giving people the financial tools they need to improve their lives. These institutions delivered products and services through delivery methods that reached the poor, managed to recover high repayments in some cases, and therefore arguably managed to cover costs. No attention was paid to the development of the ideology itself, although it was recognised that the orientation of the ideology had changed from its beginnings, and that increasing attention was being paid to the repayment of loans. Little attention was given to the negative impact of high interest rates and the social context and consequences of this essentially Universalist approach.

Motivation is the “*will to perform*” an individual’s effort, persistence (in the face of barriers) and the direction of that effort (Brooks, 2006: p.48). Motivation towards creativity should be money oriented or towards a better work - life balance. Humans are good creators of innovative goods and services; humanity is self-centric: moneymaking has become both an obsession and a purpose in itself. Yet microcredit alone cannot overcome all the issues relating to the alleviation of poverty. Microfinance approaches in the light of the quickly shifting market will need to be reviewed (Rhyne and Christen, 1999).

An entrepreneur needs to adopt new technologies, new forms of business organisations, and a new enterprise producing goods not previously available to a location, rather than involving anything new from a global or even national level (Petrin, 1991). The microfinance-based entrepreneurs can be found in the rural areas; the microfinancier needs to focus on their strengths and give them proper guidance for successful projects. Perhaps most microcredit clients are not micro entrepreneurs by choice. However, an entrepreneur must have a supportive culture if creativity is to flourish. Microfinance lenders must observe that supervisors/ field representatives are supportive and that the reward systems are consistent, with a commitment to creativity. China, Vietnam, and South Korea have significantly reduced poverty in recent years with diminutive microfinance activity. On the other hand, Bangladesh, Bolivia, and Indonesia have not been as successful at reducing poverty, despite the inflow of microcredit. This indicates that the role of micro finance as a new intervention strategy in poverty alleviation has been elevated far above its comparatively uneven success on the ground.

Chapter Two reviews existing literature on the development and practicality of microfinance-related business and highlights the gaps and silences in the field. The first part of the literature review will explore the historical beginnings of the microfinance industry in the developing world and particularly in Bangladesh, then this paper will discuss the factors, which contributed to the growth and development of the microfinance industry (MFI), giving it its present character.

In Chapter Two the role of microfinance within Bangladesh is therefore considered in the context of facilitating the control of microfinance organisational activities by the field workers of those microfinance institutions i.e. Grameen Bank and a few others.

One focus of this chapter therefore is upon money lending techniques by the field workers of the MFI and therefore concentrates upon performance evaluation activities upon the internal perspective of microfinance institution i.e. supply-side factors. This chapter also explores the role of microfinance in Bangladesh and other countries, along with women entrepreneurs microfinance and food consumption; the positive effect of the microfinance industry; profit orientation of microfinance institutions; provision of financial capital to business start-ups; and the impact of microfinance on economic empowerment and also on family, social & rural empowerment. This chapter will also discuss the impact of the microfinance institute of India on efficiency ; the effect of microfinance on domestic violence; aggressive microfinance institutions in Bangladesh; the dark side of microfinance and finally ethics, CSR and the size of the microfinance institutions.

The conventional use of microfinance techniques and information by organisations is founded in the classical generous example in that it is only the effects of actions taken in so far as they affect the organisation itself, which need to be taken into consideration.

Chapter Three will discuss contextual factors of the microfinance industry in Bangladesh and a detailed history of the evaluation of the microfinance industry in Bangladesh. The chapter will explore women entrepreneurs in various sectors in Bangladesh and define different poverty groups e.g. extreme poor, moderately poor and vulnerable non-poor. It also reports on how Bangladeshis emigrated to the East London area and started their micro businesses.

In Chapter Four the methodology to be used in the investigation is explained and justified. This investigation utilises quantitative analysis in evaluating the performance of the microfinance users and organisations in Bangladesh, and also qualitative analysis, using a focus group method in order to get rich data. Both methods, and the rationale for using them, are explained and the selection of entrepreneurs for investigation is explained and justified.

Chapter Five reports and comments on the quantitative and qualitative data gathered for this project. Success and failure rates are considered along with the role of microfinance in measuring the success of entrepreneurs' performance.

Chapter Six explores and analyses the data of UK-based Bangladeshi small-scale entrepreneurs. Implications and critical analysis are considered in Chapter Seven, with an overview of previous research findings developed in the literature with relevance to microfinance, mainly in Bangladesh, along with critical analysis of these findings, linked in part to ethics and CSR. In this section, the overall discussion addresses the MFI and its effect on poor people, including its effect on entrepreneurs in London. Chapter Seven also considers the rationale for loan taking by the poor entrepreneur, and the future of microfinance and female entrepreneurship.

In conclusion, Chapter Eight of the thesis sets the analysis into context and considers the generalisability of the arguments which have been developed. This consideration is set in the context of the regulatory, cultural, education and linguistic variations between different countries and the way in which this may affect the analysis. In doing so, this chapter considers the contribution of this thesis to theory, and where further work would be useful in developing the analysis in an international context. It concludes, however, that the argument, analysis, and models developed there from Bangladesh and East London in the UK are healthy as they stand.

## **CHAPTER 2**

### **Literature Review**

#### **2.1 Summary**

This chapter reviews current literature examining the expansion and realism of microfinance related trade and focuses on the gap in the literature specific to this area. The first part of the literature review will explore evaluations of the microfinance industry in the developing world and particularly in Bangladesh, then the paper will discuss influential factors which contributed to the growth of the microfinance industry (MFI). Subsequently it will explore the microfinance industry and its development needs. The latter part will explore modern Bangladesh, women and rural empowerment, and aggressive activities of microfinance institutions of Bangladesh.

#### **2.2 Introduction**

This chapter will make an evaluation of the microfinance industry in Bangladesh, near Bangladesh, in Europe and in the developing world and will explore the moral and immoral attitudes and practices of mainstream finance in its global centres which have contaminated the activities and behaviours of microfinance institutions in developing countries.

The rising cost of living in Bangladeshi households drives the need for additional sources of income. Traditionally, this responsibility in the Bangladeshi culture has fallen upon the male and husband although increasing pressures on household income have encouraged female economic participation. In developing countries like Bangladesh where a significant proportion of the population is people on low-income who have problems meeting the basic needs of life. The necessities of life include the need for food, shelter and clothing. The credit policy of financial institutions creates many real difficulties for the poor. This chapter will also explore how access to banks or financial institutions, in supporting the development of Bangladeshi women entrepreneurs has affected traditional gender roles and identities and contributed to

domestic violence.

This chapter will consider how excessive lending into a saturated market could cause adversity that might cause great sector-wide damage and burden borrowers with debts they did not need. Consequently, the role of microfinance in developing entrepreneurial activities is considered in this chapter and the way in which it affects entrepreneurial performance is examined. The role of microfinance within Bangladesh is considered in the context of facilitating the control of microfinance organisational activities by the field worker of microfinance institutions such as the Grameen Bank and a few others. One focus of this chapter therefore is upon the use of microfinance by the field worker of the microfinance institution and concentrates upon performance evaluation activities within the internal perspective of microfinance institutions i.e. supply-side factors. The situation of microfinance near Bangladesh and other countries is considered, along with women entrepreneurships, domestic violence, multiple borrowing, microfinance and food consumption, positive and negative effects of the microfinance industry, profit orientation of microfinance institutions and provision of financial capital to business start-ups. The positive aspects of microfinance are argued further by Banerjee et al (2015) in six randomised evaluations of microcredit amongst the extreme poor, and are explored later.

### **2.3 Evaluations of microfinance**

In most countries, financial systems are operated under a set of policies now referred to as financial control: barriers of entry into the financial sector; interest rate regulation; crowding out of private investment by government credit requirements; and directed credit. In the early 1980s, when microfinance started to get popular, the mainstream commercial financial sector environment in most developing countries was such that big financial institutions had little interest in low-level loan seekers (Rhyne and Christen, 1999). Consequently small loans, often not backed by collateral, gave rise to fresh lending techniques. One such technique is group lending, also called joint liability lending (pioneered by the Grameen Bank). In this technique borrowers are required to form groups, and to bear some liability for the loans of fellow group members. Several economists have shown joint liability lending can partially or completely overcome the informational and enforcement limitations that make uncollateralised lending hard – in



the context of moral hazard (see e.g., Stiglitz, 1990, Banerjee et al., 1994), adverse selection (see e.g., Ghatak, 1999, 2000), and strategic default (e.g., Besley and Coate, 1995).

It is argued that microfinance enables the poor to access credit, providing them with access to remunerative surplus activities which can relieve them of numerous debts, and it has especially beneficial effects when targeted on women in a country like Bangladesh (Khandker, 1998, 2000). These arguments were for much of the last decade and a half most confidently supported by Pitt and Khandker (1998 – henceforth Pitt and Khandker). However, despite the huge expansion and popularity of microfinance due to the high numbers of traditionally un-bankable poor, it has been argued that there is little convincing evidence that microfinance programmes have positive impacts (Armendáriz de Aghion and Morduch, 2005, 2010; Goldberg, 2005; Roy, 2010; Bateman, 2010; Stewart et al., 2010; Duvendack et al., 2011). This was partly because the Pitt and Khandker study came under powerful scrutiny, mainly from Morduch (1998), and again criticised by Roodman and Morduch (2009). However, these criticisms have apparently been disproved (Pitt, 1999, 2011a, 2011b).

## **2.4 Factors influencing microfinance activities**

Many of the initial microfinance assessments of the influencing factors were unsuccessful in addressing the problem of selection bias (Sebstad and Chen, 1996; Gaile and Foster, 1996). Underlying these selection processes are visible characteristics such as age, education, work experience and so on; also invisible attributes such as entrepreneurial skills, organisational abilities, willingness to take risks, and so forth. Armendáriz de Aghion and Morduch (2010) argue that there is a high correlation between entrepreneurial skills, age and microfinance participation. Coleman (1999) lists further unnoticeable invisible characteristics, such as access to social networks and business skills, that tend to increase the likelihood of individuals participating in microfinance.

## 2.5 The evolution of the microfinance industry in Bangladesh

According to Zaman (2004) the growth in the poor's access to credit took place in several different stages over the last three decades. The origins of the microcredit model can be traced back to action research in the late 19<sup>th</sup> century. Friedrich Wilhelm Raiffeisen stated that there is a connection between poverty and dependency. He founded the first cooperative lending bank, in effect the first rural credit union, in 1864. In order to fight poverty, one should fight dependency first. He had flour bought with the help of private donations. Bread was baked in a self-built bakery and distributed on credit to the poorest amongst the population. The Bread Society, the Aid Society founded in 1849 in Flammersfeld and the Compassionate Society created in 1854 in Heddesdorf were pre-cooperative societies based on the principle of kind assistance. This kind assistance was later carried out by academics as well as practitioners in organisations that were created to deal with the relief and reintegration needs of Bangladesh just after independence in the year of 1971.

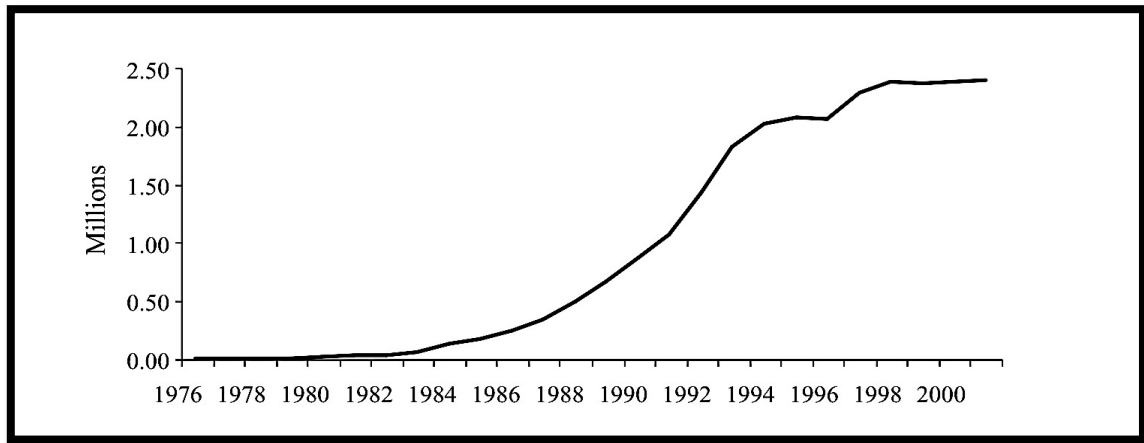
The 1980s witnessed a growing number of non-governmental organisations (NGOs), which experimented with different modalities of delivering credit to the poor. The various models converged in the beginning of the 1990s towards a fairly uniform “Grameen model” of delivering microcredit. It sparked a sharp growth of access to microcredit during this decade.

In recent years, the standard Grameen model has undergone more refinements in order to cater for different niche markets as well as to different life-cycle circumstances. Social Business Design Lab is a meeting place for the people of diverse backgrounds having only one goal – developing social business for the improvement of civilisation. The first Design Lab was held on 5th January 2013. Since then the Yunus Centre has been organising this programme once a month.

Group lending, which Grameen introduced, was quite a useful technique for acting as grantor for each other. In Bangladesh in the early 80s, banks with group lending in place were growing slowly and in the 90s growth rate was very fast. Also, funding—supplied in the early years by the International Fund for Agriculture and Development, the Ford Foundation, and the governments of Bangladesh, Sweden, Norway, and the

Netherlands— permitted very rapid growth. As figure 2.1 shows, the Grameen bank grew by 40 percent per year at its peak.

**Figure 2.1: Growth in Grameen Bank membership, 1976–2001**



Source: Grameen Bank, Annual Reports (2002)

Grameen’s group lending was favourable for borrowers who lacked a security deposit. The group lending technique was quite different to standardised banking practice. Something is better than nothing for extremely poor people in Bangladesh.

*“The groups consist of five borrowers each; loans go first to two members, then to another two, and then to the fifth group member. As long as loans are being repaid, the cycle of lending continues. But, according to the rules, if one member defaults and fellow group members do not pay off the debt, all in the group are denied subsequent loans. This feature gives customers important incentives to repay promptly, to monitor their neighbours, and to select responsible partners when forming groups”* (Fugelsang and Chandler, 1993, pp.13-14). Group lending tends to benefit from local information, peer support and, if needed, peer pressure. The instruments rely on informal relationships between neighbours that facilitates borrowing for households lacking security deposits (Besley and Coate 1995; Armendáriz de Aghion 1999a). As money plays such an important role in this capitalised world, such lending techniques will gain popularity, especially in developing nations and particularly targeting unbankable people. Consequently, figure 2.1 shows a true reflection of the popularity of microfinance. Nevertheless, the rapid growth of the microfinance industry in Bangladesh impacted upon group cohesiveness and co-operation.

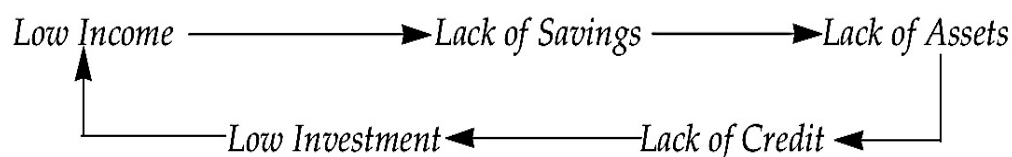
## 2.6 Microfinance business and the development needs

According to Jayawarna, Rouse and Kitching (2011) there are six different types of small business-related owners who rely on the driving forces behind the entrepreneurial decision for self-employment. These six types of small business entrepreneurs are reluctant, convenience, economically driven, social entrepreneurs, learning & earning entrepreneurs, and prestige and control entrepreneurs. Different types of entrepreneurs are driven by different factors. Arguably, microfinance-based entrepreneurs are most likely to be reluctant entrepreneurs, as significant portions of microfinance-based entrepreneurs opted for self-employment out of necessity, such as providing security for themselves and their families.

As microfinance businesses and industry are growing fast, supply side and demand side stakeholders may need training and transferable skills, such as communication, leadership and motivation. Several research papers suggest that training and innovation play an important part in the success of the small business (Bryan, 2006; Kitching, 2008; Matlay, 1999 & 2004; and Smith & Collins, 2007). The research papers rarely discuss the issue of developing entrepreneurial competencies within these business types. It's not easy to come up with a training manual for microfinance-related entrepreneurs as there is rather a lot of variation in terms of knowledge, type of business and skills. Because of the low literacy rate, unemployment and poor economic environment, they are not 'usually' profitable enough to the private sector, unless there is a paradigm shift in marketers' understanding of the attractiveness of the bottom of the pyramid (BOP) consumers and the very low-income group market (Prahalad, 2005; Prahalad & Hammond, 2002). According to Rahman, Haque & Rashid (2012) the Bangladesh Rehabilitation Assistance Committee (branded as BRAC, the world's largest non-government organisation, which has international operations) recruits its *Community Health Volunteers* from the female members of its micro-credit projects. In other words, women who borrowed money from BRAC on its micro-credit programmes are the only ones who are qualified to be recruited as *Community Health Volunteers*.

The reason why they are selected from its micro-credit members is that they are already familiar with BRAC and the way they operate in villages. Obtaining a loan and making regular repayments requires a degree of money management skill and self-control, and these female borrowers have established that. To BRAC these are construed to be the leadership qualities that are required to operate as an effective *Community Health Volunteer*. None of these women who are part of the micro finance or micro-credit programme of Bangladesh Rehabilitation Assistance Committee (BRAC) are chosen from an ultra-poor background. Hailing from an ultra-poor background seriously undermines one's abilities to be a proper care-giver, as they are generally illiterate, or are in distressed situations at home or work, rendering such deployment too difficult or impossible. Women are recruited who have demonstrated some leadership and organising skills, an acceptable level of literacy (for they need to read medicine labels, instructions and guidelines for treatments) and assets that establish them above subsistence level. It's noticeable that semi successful entrepreneurial skills and abilities could be useful for other types of effective tasks. It should be noted that unsuccessful micro-credit entrepreneurs from BRAC were ignored, and no training facilities have been provided for unsuccessful entrepreneurs. In addition, BRAC did not use unsuccessful entrepreneurs as community health volunteers (Rahman, Haque & Rashid, 2012). Arguably, unsuccessful entrepreneurs shouldn't be ignored; instead they need special help to develop their entrepreneurial skills. This may represent another confirmation of real capitalism in practice.

**Figure 2.2: The vicious cycle of increasing debt**



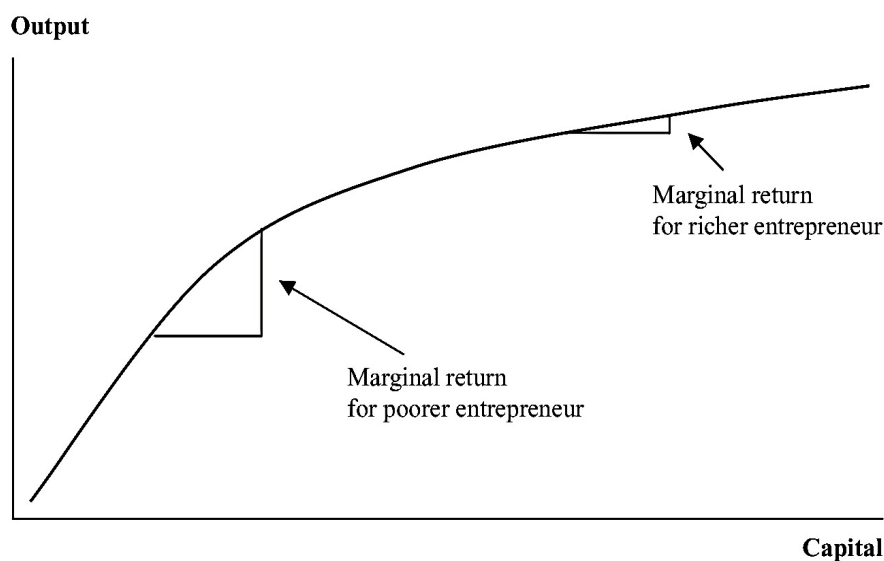
Source: Armendáriz & Morduch (2010)

This research finds that contrary to its stated purposes, the reality of microcredit amongst some of the respondents was to lock them into a cycle of increasing debt. Thus, Figure 2.2 indicates that low income is the root cause of problems and problems increase due to expenditures on physical needs. However, this has nothing to do with

aesthetic, rational or ethical fulfilment. It's rather a difficult task for poor entrepreneurs to think or practice in an aesthetic, rational or ethical way.

The “diminishing returns principle” is derived from the assumed concavity (the state of being curved like the inner surface of a sphere) of production functions, as exemplified in Figure 2.3 which in terms of micro finance point to view more investment of capital should give better output but further investment may derive less additional marginal output compared to investment. The poorer entrepreneur has a greater return on his next unit of capital and is willing to pay higher interest rates than the richer entrepreneur. In other words, the poorer enterprises may be able to absorb higher cost of financing due to higher marginal returns.

**Figure 2.3: The comparison of return on investment between rich and poor entrepreneurs**



Source: Armendáriz & Morduch (2010)

According to Armendáriz & Morduch (2010, p.6) “*The size of the incremental gains matter since the marginal return to capital determines the borrowers’ ability to pay. As figure 2.3 shows, concavity implies that the poor entrepreneur has a higher marginal return to capital (and thus a higher ability to repay lenders) than a richer entrepreneur.*” Arguably this indicates that the rich pay less compared to the poor upon use of capital.

Robert Lucas was awarded the 1995 Nobel Prize in economics “*for having developed and applied the hypothesis of rational expectations, and thereby having transformed macroeconomic analysis and deepened our understanding of economic policy*” (Nobel Prize, 1995).

The Nobel prize-winning economist Robert Lucas (1990), also Prahalad (2004), finds that borrowers in India/or any developing country should be willing to pay 58 times as much for capital as borrowers in the United States. Money should thus flow from New York or London to developing countries like Bangladesh. According to Lucas’s logic, return on investment should be superior when investing in poor entrepreneurs like “fish seller” or “rickshaw puller” than any MNC.

Lucas tried to highlight why there are greater obstacles for poor entrepreneurs, whereas it is relatively easy for big companies to get finance, even though return on investments may be higher from poor entrepreneurs.

According to Armendáriz & Morduch (2005, p.10) “*The starting point was that credit is not like fertilizer or seeds. Instead, the critics argued, credit should be thought of as a fungible tool of financial intermediation (with many uses) and not as a specific input into particular production processes. Thus, one problem, according to the critics, came from mistakenly believing that credit could be “directed” to particular ends preferred by policymakers (e.g. expanding the use of high-yielding crop varieties).*” As a result bad credit policy increased, creating chaos in rural financial markets and eventually negative attempts to reduce poverty (Adams, Graham, and Pischke 1984). Big banks were subsidised by government and such policies were implemented in the micro-credit industry in Bangladesh.

## **2.7 The impact of microfinance on economic empowerment**

Microfinance tends to improve the income of many clients, but the intervention actually impacts on the poorest clients in a deteriorating way and can make them poorer (ADB, 2007). According to Stewart et al. (2010) microfinance makes some people economically poorer, and it is therefore essential to be particularly thoughtful when targeting the poorest of the poor. Microfinance institutions also found it’s less risky to

lend money to entrepreneurs who have some collateral. When such entrepreneurs' businesses are not in profit they are still able to pay back by selling business assets.

*“Financially insecure recipients, i.e. ultra-poor recipients, become defaulters if they receive large loans”* (Benini et al. 2011, p.49). Other ingenuities, such as self-help groups (SHGs; Gurumoorthy, 2000), serve to encourage entrepreneurial and enterprising activities and empower women by their cumulative revenue. Bandiera et al. (2012) reported that the BRAC credit programme transformed the work-related choices of poor women, who spent more time in self-employment and less in waged labour and increased their labour market participation, leading to a 36 percent average increase in annual income.

## **2.8 The impact of microfinance on family and social empowerment**

The Consultative Group to Assist the Poor (2004) found that microfinance empowers women by allowing them to take family and social decisions. Kim et al. (2007) reported that the risk of physical or sexual violence by an intimate partner was reduced by over a half after two years of receiving microfinance. But they were not clear on other determinant factors such as the correlation between other variables rather than micro financing activities.

## **2.9 Impact on rural empowerment**

Some qualitative data indicate a positive impact of microfinance on empowerment. According to Anjugam and Alagumani (2001), this includes decision-making skills among women, in particular in managing financial crises in the household, in domestic matters and in general confidence. Bali Swain and Wallentin (2007) indicated that microfinance members are socially empowered by participating in microfinance programmes. Results from the Freedom from Hunger studies in Bolivia and Ghana indicate that microfinance programme participation leads to increased self-confidence and improved status within the community (Littlefield et al., 2003), as these members didn't get involved in any other important decision-making process, as decisions predominantly used to be made by men. Similarly, the data from the IMAGE trial in South Africa found a marked improvement in women's ability to negotiate safe sexual



practices and avoid close partner violence (Pronyk et al., 2008). Gaiha and Nandhi (2005) reported that self-help groups contribute to women's self-confidence, creating greater respect within the family, promoting a more confident role in family decision making and prosperous buying and selling skills. However, success is limited by enduring negative influences such as adultery, male control over resources and the social norms of reproductive responsibilities (Mazumder and Wencong, 2015).

## **2.10 Repayment and food consumption**

One of the major confronts facing microfinance programmes is the failure of borrowers to use loans exclusively for businesses investments that will produce financial returns. Bateman and Chang (2012) claim that most microcredit loans are not used to invest in small businesses but instead are used for consumption spending. They acknowledge that this use of loans for consumption spending can have a beneficial impact for borrowers because it increases their ability to evade financial crisis and can act as a financial smoothing mechanism. However, they also insist on pointing out that such use of microcredit is very different from the original Grameen Bank improvement that Yunus implemented in the 1970s (Bateman & Chang, 2012). Other scholars like Dichter (2007) also claim that the majority of microfinance loans are in fact used for consumption spending instead of business investment. Dichter argues that most people, whether they are rich or poor, are not entrepreneurs and that simply loaning people money will not lead to a viable small business. He goes one step further and makes a distinction between what he calls "real businesspeople" (p.5) and the standard microfinance clients of today. Dichter claims that: The hands-on dividing line between standard microfinance clients of today (the vast majority of whom are not entrepreneurs) and real businesspeople is the line between consumption and investment of capital for business. Credit for real business is neither for nor about consumption, nor does it need to be accessible to everybody (2007, p.5). Clearly this statement doesn't support promoters of the micro finance industry. It is still vague about the way microfinance borrowers are going to be able to pay back loans and bring themselves out of poverty if much of the loan principle is used on spending that does not produce a genuine financial return.

A constant sequence of borrowing and expenditure is frequently a situation that

microfinance clients can find themselves in. Due to the fact that microloans provide minor amounts of money and must be repaid in a short period of time, these loans may be used as a consumption levelling instrument. Debtors may use these loans to reduce the undesirable effects of unforeseen financial disasters or periodic variabilities, instead of investing them in long-term business ventures. The net consequence of this may just be the redeployment of income over time instead of increasing the total income of the loan borrowers (Selinger, 2008).

According to Shonchoy and Kurosaki (2014, p.2) “*The mismatch between credit repayments and income seasonality poses a challenge for microfinance institutions (MFIs) working in developing countries.*” There are income and consumption downfalls during the lean season, and poor landless agricultural wage labourers suffer the most owing to this seasonality as they face difficulties in smoothing their consumption. Even though poor microfinance users face difficulties during the lean season, microfinance institutions do not consider seasonal adjustments (Shonchoy and Kurosaki, 2014)

According to Khandker and Mahmud (2012) seasonality is known mainly as a lack of food supply, in other words poor harvest. In Bangladesh there are two major seasonal deficiencies : late September to early November and from late March to early May. With the widespread expansion of *boro* cultivation in recent years, the incidence of the lean period in March–May has significantly declined. Almost no substitute farming activity takes place in this period, and the non-agricultural sector cannot adequately absorb the seasonally unemployed labour (Shonchoy and Kurosaki, 2014).

Due to the deficiency in food supply, lack of job opportunities and absence of a functional credit market, households are not in a position to smooth their consumption (Pitt and Khandker, 2002). Consequently in order to survive, and due to a lack of options, farmers are indirectly forced to take loans from loan sharks.

Due to the condition of the Bangladeshi economic system, various survival strategies have emerged among the *seasonally*-affected people of northern Bangladesh. Apart from borrowing from informal sources that charge high interest rates, common survival strategies include advance sales of labour (Khandker and Mahmud, 2012), the purchase

of household essentials on credit, skipping meals during the lean season (Berg and Emran, 2011), and seasonal migration (Shonchoy, 2011).

According to Bryan et al. (2014) credit and financing restrictions, a lack of interacting, and irregular information problems limit individuals' ability to travel from rural to town areas. Some of them are able to move, mainly to Dhaka city (the capital city of Bangladesh) and some with the help of family members go away from the country, mainly to UAE, Saudi Arabia, Bahrain, Quarter, Oman, Italy and even UK. Most of the poor Bangladeshi entrepreneurs therefore take money from loan sharks and in some cases they even sell their house and land for a very cheap price. It was found that during *monga*, households take extreme measures—such as selling productive assets (Khandker and Mahmud, 2012) or borrowing from loan sharks or other micro financing institutions charging extraordinarily high interest rates—to maintain a clean record of repayment and ensure access to future microcredit loans from MFIs. *“Many rural families enjoy mainly new income streams from family members working overseas, or in factory jobs in the rapidly expanding ready-made garments industry”* (Chen and Rutherford, 2013, p.117).

According to the Microcredit Conference Promotion, as of 2011 there were 205 million microcredit customers, more than 110 millions of whom were women. Various studies on the impact of microcredit in developing countries have found evidence of consumption levelling or smoothing, asset building (Pitt and Khandker, 1998) and poverty reduction (Khandker, 2005). As S. N. Kairy, the chief financial officer of BRAC aptly summarised, *“The lives of rural people in Bangladesh are totally different from 20 years ago.”* Inversely, using the same data set as Pitt and Khandker (1998), Morduch (1999) finds that the average impact of microfinance is “unreal.”

*“We got rid of colonialism, we got rid of slavery, and we got rid of apartheid: everyone thought each one of them was impossible. Let's take the next impossible, do it with joy and get it finished with and create a world free from poverty. Let us create the world of our choice.”* (Yunus, 2007). Very optimistic statement but unfortunately microfinance can't be the only apparatus for getting rid of poverty.

Various researchers such as Banerjee et al (2014), Augsburg et al. (2012) and Karlan and Zinman (2013) show microfinance-focused entrepreneurs using loan money for the purpose of consumption . However, the literature does not provide details of how much microfinance users are using microfinance for domestic consumption before gaining access to microfinance.

According to Mian and Sufi (2010) resistances in the supply of credit made it difficult for highly-leveraged households to continue to make durable consumption purchases and residential investments during the recession of 2007–2009. Likewise, Mondragon (2013) asserts that supply shocks to domestic credit during the financial crisis reduced employment by over 4%. Families with high exposure to micro credit are likely to be similar to the highly-leveraged households at the time of the financial crisis.

## 2.11 Microfinance operations near Bangladesh

Bangladesh is a founder member of the **South Asian Association for Regional Cooperation (SAARC)**. SAARC is the regional intergovernmental organisation and geopolitical union of nations in South Asia whose objective is to improve the quality of life of the peoples of South Asia in terms of economic growth and social progress. The South Asian region comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. SAARC's objective is to provide all individuals with the opportunity to live in dignity; collective self-reliance among the countries of South Asia; better cooperation with other developing countries and to cooperate with similar organisations with similar goals. Therefore, a review of microfinance operations near Bangladesh plays an important part of this research.

According to Srinivasan (2009), in India MFIs are part of a large but disjointed credit industry that delivers microloans. The industry is made up of three kinds of suppliers:

- Bank-linked Self-Help Group (SHG) programmes: These are programmes run by commercial banks to lend to groups of 10 to 20 women.
- Micro finance institutions: These are private sector entities in the business of extending credit to small groups similar to that of the SHGs. These include not-for-profit non-governmental organisations (NGOs), and for-profit non-banking finance companies (NBFCs). The model of lending is the joint liability group (JLG) model

where non-repayment by a member of the group has consequences on credit availability for the entire group.

– Traditional money lenders: While loans outstanding of MFIs were much smaller compared to that of the SHGs, the growth rate of the MFIs had been larger than that of SHGs at the time of the calamity. The customers of these products, especially the SHGs and MFIs, are women, whose families typically have high instability incomes, do not have adequate resources to deal with emergencies, lack collateral and are denied credit by the mainstream banking sector. Lending practices of MFIs vary, but typically, loans are given to informal groups consisting of 3 to 10 women. These groups share risks therefore may receive loans without collateral. Repayments and interest rates also vary, weekly or monthly, and the interest rate is on average over 28 percent. MFIs in India were accused of miss-selling and forced collection practices. The state government proposed an ordinance in October 2010 that imposed operational constraints on the MFIs (State government of Andhra Pradesh, 2010). Such exercises encompassed loaning without due diligence on the ability of the group to repay, lending for consumption and consumer durables, lack of transparency in operations, charging usurious interest rates and employing coercive recovery practices (Yerramilli, 2013).

The change of law in terms of the prohibition of micro-credit lending in the state of Andhra Pradesh in India led to a significant reduction on consumption. The results show that average household consumption in the ban-affected regions dropped by 15% immediately following the ban compared to matched regions, and persisted for four quarters. The result is robust to cross-section differences in regional exposure to microfinance prior to the ban, difference in rural/urban and differences in corresponding strategy. However, consumption dropped by between 14% and 15% in the short term after the ban. The drop was even higher in rural regions where access to formal sources of finance is lower. Record-level data might reveal that welfare is improved without micro finance for certain households. However, the overall average treatment effect associated with banning microfinance in Andhra Pradesh was negative. This action exposes the ban as an extreme measure. Consumer protection should not necessarily lead to the prohibition of microfinancing activities (Sane and Thomas, 2015).

## 2.12 Efficiency of microfinance institutions in India

According to Amarnani and Amarnani (2015) microfinance increases the income of the poor clients in Gujarat, India, who are in the programme for more than two years. It also found that consumption expenditure came down during the initial period of participation as the participants became educated in financial prudence, and after that the change was negative but insignificant. At the individual level, it was found that participation in the programme improved the financial security for the clients and the proportion of daughters attending school to those eligible for schooling. Conversely, there was no significant change in the financial decision-making process.

Microfinance plays an important role in bringing the people living below the poverty line into the main stream of the economy, and thereby participating in the process of nation-building (Amarnani, Amarnani & Achuthan, 2010). With this perspective, significant funding is being channelled into the sector through both the private and public routes. Therefore, there is a perilous need to ascertain whether these microfinance programmes are actually fulfilling their specified goals.

According to Kaur (2016), analysing the efficiency of Micro Finance Institutions in India from financial and social perspectives gives unanticipated results. Her data shows on average social efficiency of MFIs is 32 per cent as against average financial efficiency of 84 per cent. Their efficiency to reach the poorest is as low as 30 percent and women 32 percent. In Kaur's investigation on the social efficiency front, on an average MFIs can reduce their inputs by 68 percent and can still reach the same number of women and poorest clients. MFIs like Bandhan have shown 100 percent efficiency on the financial front. However, on the social efficiency front their efficiency is even less than 30 per cent. MFIs in India are performing their financial objectives in a much better way than their social objectives. However, her other results, showing the positive correlation between social and financial efficiency, suggest the social objectives of MFIs follow their financial objectives. Therefore, the study finds a lack of evidence of the existence of trade-off between social and financial efficiency as suggested by welfare approaches. Kaur (2016) also believes that MFIs in India give precedence to financial objectives over social objectives. Thus, financially sustainable MFIs should

also rethink and invest in social objectives. Kaur (2016) also believes that MFIs should step up their efforts to aid the poorest and importantly women, which is one of their core objectives.

Critical analysis of the microfinance industry has revealed several key flaws that contribute to microfinance's inability to effectively help the poor escape poverty. An ultimate critique is that while some microfinance supporters may see microfinance as a remedy to poverty alleviation around the globe, critics point out that microfinance programmes and small business developments do not necessarily cause poverty reduction (Islam, 2007). Islam (2007) also points out that these types of programmes may not be the best approach for very poor people. The poorest 10 to 15 percent of people in developing countries may first need some help with the essentials of food and health concerns before they can successfully use programmes like microfinance.

Access to financial services is an important step but some claim that microfinance alone is not capable of producing the economic results that are needed to overcome deeply ingrained poverty in developing countries. While many agree that microfinance is not having the intended effect that it was designed to have, there are various ideas on why this is. Some claim that geographical distance between MFIs and their clients may play an important role in the outcome of these programmes (Presbitero & Rabelotti, 2014). Some researchers have taken on the entire concept of microfinance and have concluded that it is not what its supporters claim (Karim, 2008).

Karim also argues that microfinance is a tool used to spread neoliberal economic policy to developing nations. She claims that instead of using a bottom up approach to improve the lives of the poor by giving them the tools they need to succeed, microfinance is actually restructuring society with a top down approach that is administered by the same actors that currently control the global neoliberal economic system (Karim, 2008). The initial business models of what McIntosh and Wydick call "non-profit socially motivated lenders" (McIntosh & Wydick, 2005, p.272) showed that microfinance could produce profitable returns. This, in turn has led to for-profit commercial lenders entering the market and competing with traditional non-profit micro finance institutions (McIntosh & Wydick, 2005).

Several reasons for customer dissatisfaction are wide-ranging but evident concerns, such as high interest rates, are common among many borrowers. Looking at microfinance in a broader context, some may argue the entire economic structure in which these programmes operate is suspect and the true benefits of entrepreneurial capitalism as a development tool is debatable. Academics such as David Harvey contend that expansion of microfinance is nothing more than a way for financial institutions to neoliberal economic policies concentrating on wealth accumulation. In doing so, these institutions are able to extract wealth from individuals through predatory lending practices, similar to the subprime loans which contributed to recent problems in the U.S. housing market (Harvey, 2011).

Disputes adjoining the long-term welfare of the global capitalist economic system are not new. Nevertheless, research examining the effects of the capitalist system on disparity has shed light on the possible negative influences that this type of economic arrangement can have, especially on those at the bottom. Piketty (2014) make a simple but profound argument: the growth of income from capital grows at a rate several times larger than the rate of overall economic growth. This means that a smaller portion is going to income earned from wages compared to income earned from invested capital. In turn, this leads to increasing disparity between wage earners and those who control capital. This inequality is also exasperated during the economy and population grows slowly (Piketty & Goldhammer, 2014). Despite criticism of the capitalist system, it is important to understand that microfinance organisations operate in the framework of a financial system based on modern banking practices of investments and returns. Piketty argues that private property and market institutions are essential to a healthy economy and as a precursor to personal freedom Piketty (2014).

Ultimately it is sensible to examine microfinance institutions and economic development organisations in the context in which they operate. Criticism of microfinance has existed in many forms since its beginning in the 1970s and rigorous academic work questioning the true impact of these programmes has been produced since at least the mid-1990s (Ahmad & Townsend, 1998). While the reasons behind the failure of many microfinance programmes are still contested, a growing consensus is arguing that these programmes are ineffective in their goals of reducing poverty and improving the lives of borrowers. Whether in India or Latin America, studies continue



to show the microfinance industry is not living up to its promise of grassroots, entrepreneurial economic development (Bateman, 2013; Banerjee, Duflo, Glennester, & Kinnan 2013).

For many borrowers, interest is only part of the cost of borrowing. A significant number of MFIs incorporate various penalties and forced savings that increase the cost significantly (Sinclair, 2012). The global industry average of MFI interest rates is around 35 percent, but these vary greatly from country to country. In Uzbekistan, for example, the average annual interest rate is about 80 percent, while the average is 17 percent in Sri Lanka (Kneiding & Rosenberg, 2008). Some argue that distributing and managing many minor loans is a high cost process and justifies high interest rates for borrowers. Others claim that high interest rates are harmful to borrowers and demand interest rate ceilings across the sector (Hudson, 2007). An **interest rate ceiling** (also known as an **interest rate cap**) is a regulatory measure that prevents banks or other financial institutions from charging more than a certain level of interest. Studies conducted by The Consultative Group to Assist the Poor (CGAP), a Washington D.C.-based think tank focusing on financial access for the poor, provide useful information regarding microfinance interest rates. These studies show that for lenders focusing on extremely poor borrowers, interest rates have risen over the last several years. They also point out the fact that these low-end lenders are much more profitable than average microfinance institutions (Rosenberg, Gaul, Ford, & Tomilova, 2013).

The findings by CGAP point to the same justification for high interest rates as the ones mentioned above. Small loans require higher administrative costs, and these are not offset by economies of scale (Rosenberg, Gonzalez, & Narain, 2009). Rosenberg, Gonzalez and Narain (2009, p.3) state that “*The burgeoning volume of money passing through international microfinance investment funds is coming mainly from investors who are not willing to accept higher risks or lower returns for the sake of social objectives.*” This type of justification appears to point to the fact that there is very little variation between the microfinance industry and the commercial banking sector other than the size of the loans.

A group of local businessmen in Colombia set up an organisation called Corporsol in 1988 in order to support micro businesses. Corporsol’s founders agreed to establish this

new structure on the condition that it became self-financing within three years. At the end of this period its elaboration was ensured by commercial bank loans. It was prosperous across Latin America, but further development meant ending other sources of funding. Corposol led to the creation in 1993 of a financial wing called Finansol, capable of accessing the financial markets directly. A further advance was the establishment of a rural credit system through an entity called Agrosol, as well as a housing renovation loan facility called Construsol. Finally, Mercasol, a purchasing network meant to act as a wholesaler to micro-enterprises, was started. In 1994, the holding took the name 'Corposol.' It received solid support from the government in Colombia and also from Holland and Spain. By the end of 1995, Corposol had 600 employees, 23 urban branches, and 5 rural ones. Its loan portfolio amounted to USD 30 million. Circumstances weakened in the late 1990s, however, when a number of programmes had problems and the portfolio attribute appeared weak. There was poor transparency in the information sent out by the holding company, making problem-solving difficult. In 1996, the group experienced a severe financial crisis and blocked loan facilities. The crisis was worsened by falling revenues from the training programmes that clients followed and were liable to pay for when receiving their loans. Corposol was forced to close most of its programmes and branches. Finansol alone was saved, having been recapitalised by its new main shareholder, Citibank Overseas Investment Corporation. Finansol continues to provide loans to small and medium enterprises (SMEs) and micro-enterprises. Due to inefficient circulation of information and the rapid expansion of the financial organisation, 'Corposol' encountered unintended consequences. Indeed, already created structures had no solid base. The expansion of different branches is certainly essential; however, this must be made in a checked and moderate way.

Without proper and regular control, risks of failure are inevitable and financial implications are catastrophic. Gaps in the terms of methods and strategies have been observed on numerous occasions (Gandja, Estay, Tchankam, 2016). Therefore, following and updating regulations and also regular control may play an important role for the microfinance industry in Bangladesh.

Microfinance responds to the consequential demand for borrowing to take care of self-employment and small business. Thus, dissimilar to other handover arrangements, it

requires both entrepreneurial skill and a favourable local market. Without them, the returns on investment financed by microfinance are likely to be insignificant, and so are any reductions in overall poverty. Even if the induced marginal gains from micro-borrowing are large for participants, the effects of the accrued total benefits on aggregate poverty are likely to be small for several reasons. For one, microfinance transactions are too small to exert a large impact on collective poverty. For another, in an economy with low economic growth, borrowing may only reallocate income rather than improve growth (Khandker, 2005).

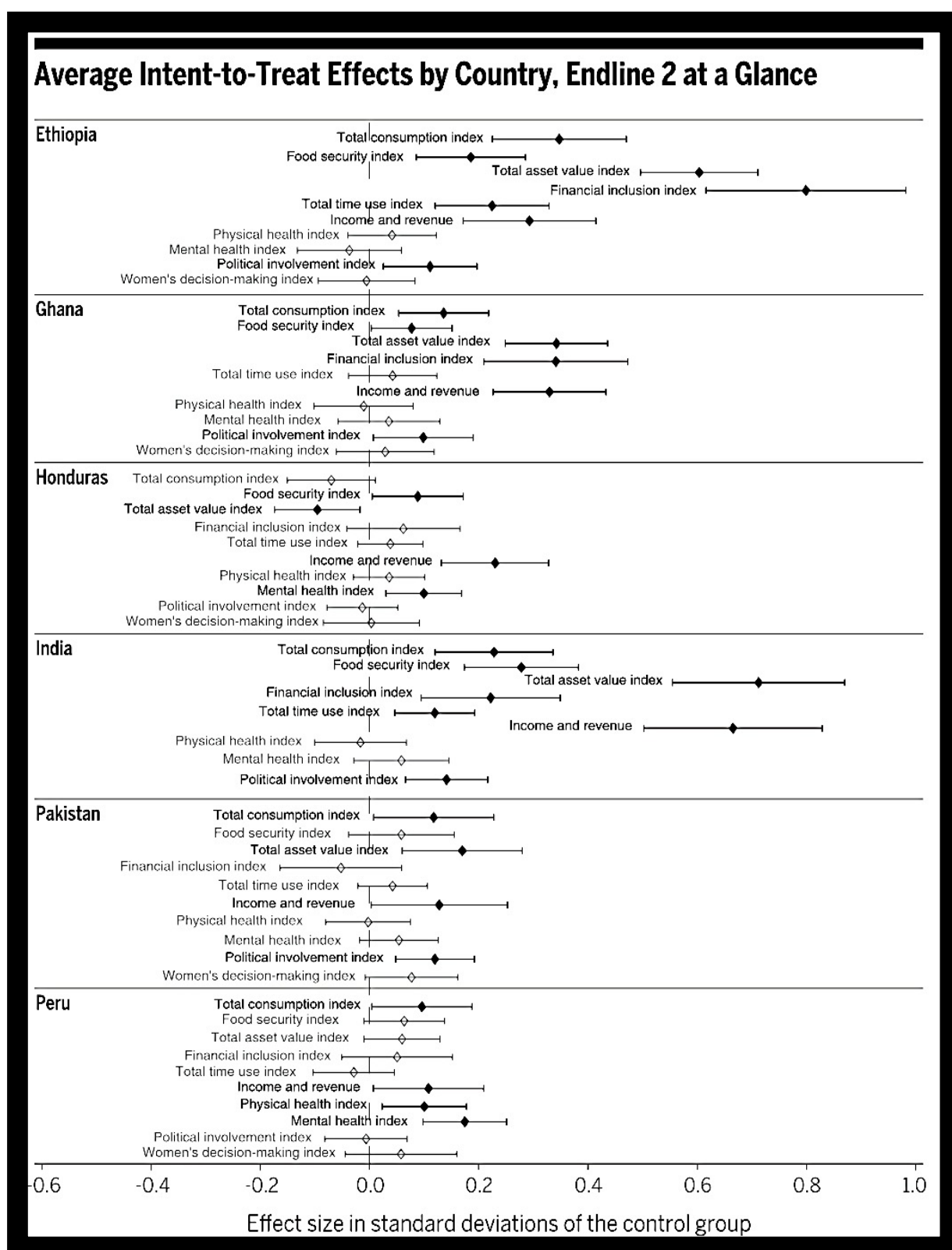
Zeller and Meyer (2003) pointed out that the low-income customers are more likely to borrow from MFIs, who have to incur huge operational costs in order to contact the scattered intended beneficiaries regularly. More importantly, as the scale of operations increases, MFIs need funds beyond the loans. The commercial funding obliges them to have risk capital with market interest rates. In this setting the sustainability of MFIs needs to be looked at very carefully, even from a social performance viewpoint. The results achieved in poverty alleviation by MFIs cannot be a one of event and, given the endemic nature of poverty, require a continuous and long-term commitment. Morduch (1999) pronounces the need for more realistic work on the sustainability of MFIs. However, according to Dayson & Quach, (2006) an ambition for sustainable institutions has been often articulated; there was also an opinion that most microfinance institutions working in this field have been unsustainable. Research studies have also shown that this is predominantly connected to the perception of micro borrowers, risk and creditworthiness, and the diseconomies of scale in making small loans (Quach, 2005, as cited in Dayson & Quach, 2006).

Most of these studies have focused on the performance of MFIs on the basis of their legal status, size or geographical location. However, over the last few years the subtleties literatures review on the microfinance sector has revealed that there have been very few studies which focus on the financial health of Indian MFIs. It may be because of the branding and common perception of MFIs as not-for-profit organisations. However, the long-term viability of any business model depends as much on the financial benefit. It can be seen that without sound financial performance the sustainability of these microfinance institutions is not possible (Amarnai & Amarnai, 2015).

### **2.13 Positive impact of microfinance**

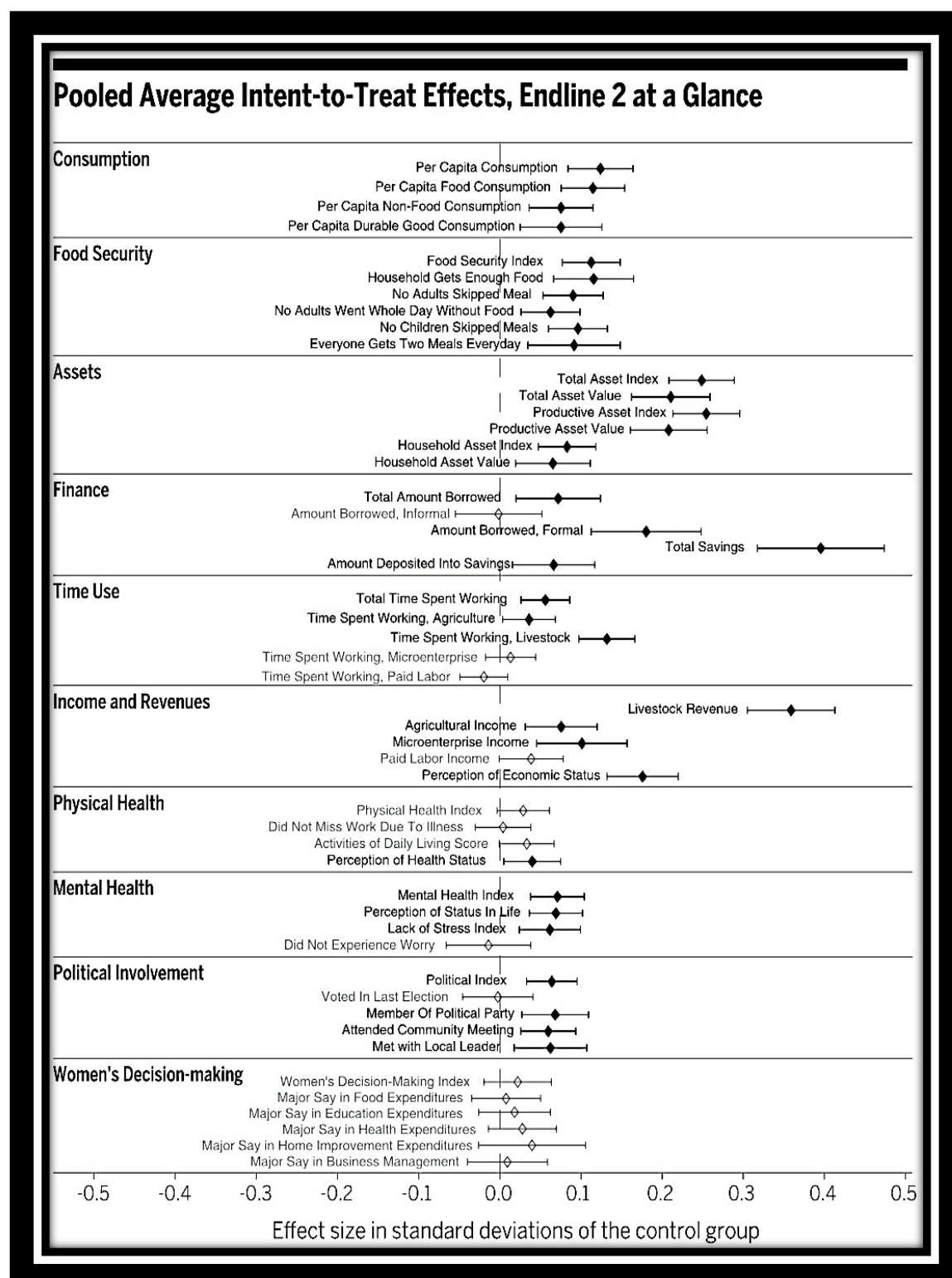
Following Figure 2.4 is a brief representation of working in six countries with an international consortium. The research shows whether a multifaceted Graduation programme can help the extreme poor and shows how to establish maintainable self-employment undertakings and produce long-term developments in very poor people's wellbeing. The programme targets the poorest members in a village and provides a productive asset grant, training and support, life skills coaching, temporary cash consumption support, and typically access to savings accounts and health information or services. By keeping the overall principle the same, the programme was adjusted to suit different contexts and cultures. In order to get consistent impact, the combination of these activities is necessary. This research does not test whether each of the programme dimensions is individually necessary. This evidence from six countries' research conducted randomised trials in Pakistan, Ethiopia, Honduras, Ghana, Peru and India, with a total of 10,495 participants. The sample size was mainly based in geographical areas associated with extreme poverty, and then identified the poorest of the poor in these villages through a participatory wealth-ranking process. At the end of the intervention, researchers found statistically significant impacts on all 10 key outcomes or indices. One year after the end of the intervention, 36 months after the productive asset transfer, 8 out of 10 indices still showed statistically significant gains, and there was no change or very little decline on consumption, household assets, and food security (Banerjee et al. 2015).

Figure 2.4: Average intent-to-treat effects by country



Source : Banerjee et al. (2015)

Figure 2.5: Pooled average intent-to-treat effects



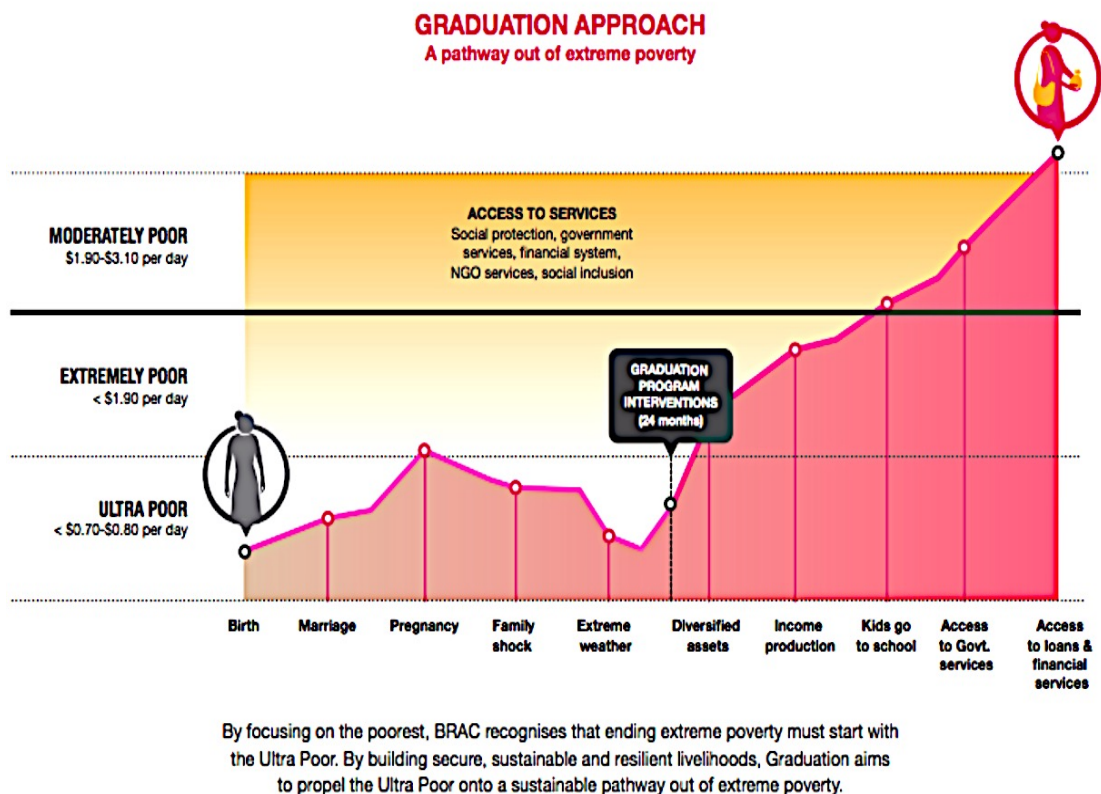
Source : Banerjee et al. (2015)

Figures 2.4 and 2.5 above illustrate that the Graduation programme's primary goal, to substantially increase consumption of the very poor, is achieved by the end of the programme and upheld 1 year later. The estimated benefits are higher than the costs in five out of six sites except for Honduras. In short, this research evidence from six countries establishes that a multifaceted approach worked well to improve income, cost-effectiveness and well-being for extremely poor people (Banerjee et al. 2015).

Hossain (1988) found the Grameen members' average household income to be 43 percent higher than the target non-participants in comparison villages. Todd (1996) instead of attempting a large-scale study came up with a unique methodology. To understand the extent of the impact of microfinance, Hossain spent a year in two MFI Grameen clients-based villages and studied 64 households (40 borrower households and 24 comparison households). Hossain also discovered a positive impact of the intervention, as did several researchers such as Khandker (2005) and Pitt and Khandker (1998); (Goldberg, 2005); Hussain (1998).

According to Arsyad (2005), concerns are being raised over the cost of funds for these enterprises and transaction costs and still leave some profit. Srinivasan and Sriram (2006), have pointed out that MFIs need to be economically viable and sustainable in the long run. In fact, studies have found strong linkage between the financial sustainability of microfinance institutions and achievement of their social objectives.

According to Parida and Sinha (2010) the self-help group (SHG) programmes are an effective tool, which have been used in various countries in order to address a range of socio-economic issues. The performance and sustainability of SHGs vary based on income-generating activities, gender composition of members in the group etc.

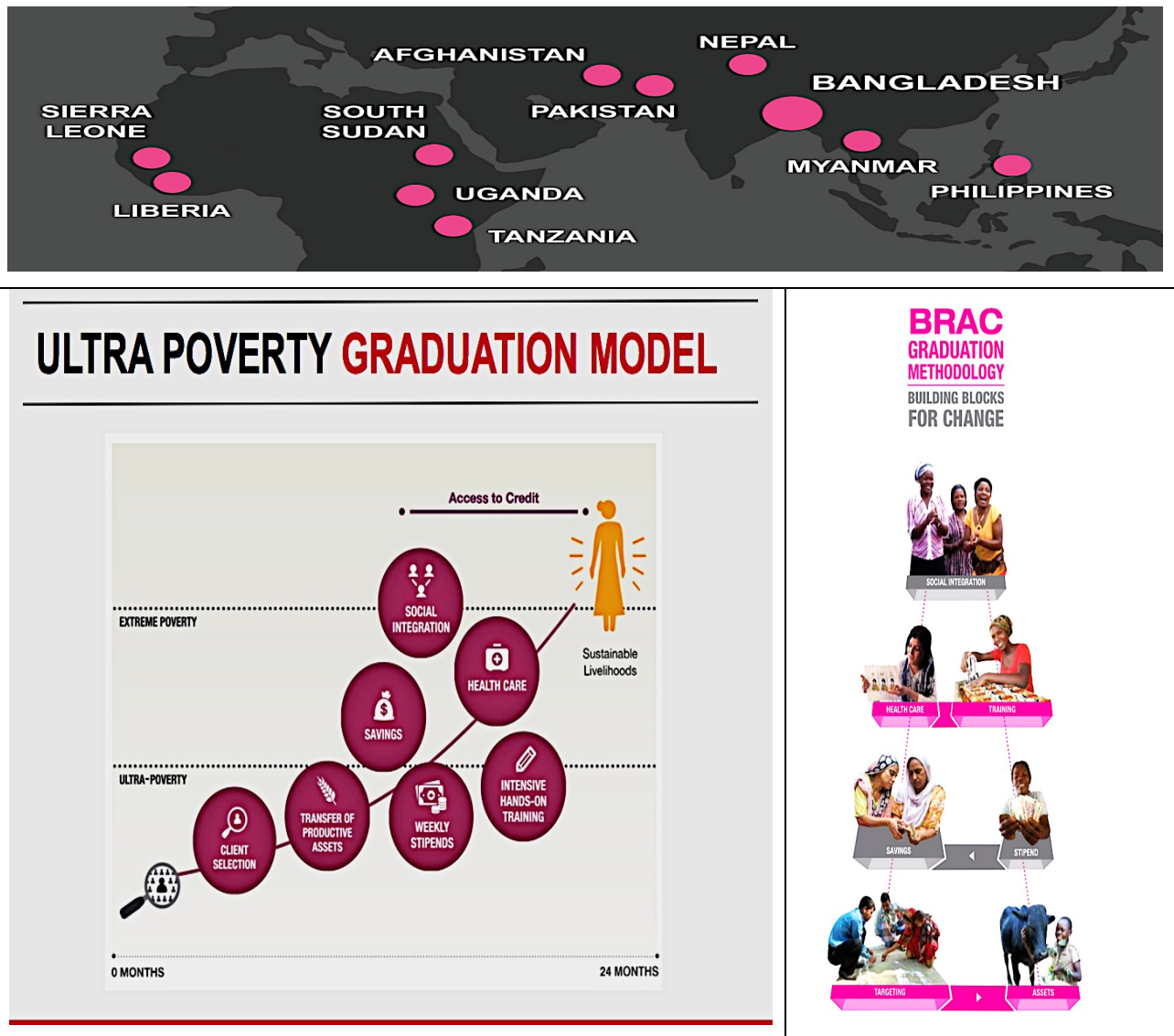
**Figure 2.6: The ultra-poor graduation approach**

Source: BRAC (2017)

Figure 2.6 shows how BRAC, one of the leading microfinance banks in Bangladesh, distinguishes its poor clients. An extremely poor lady tends not to have any job or works as a domestic cleaner or begs. She has no active adult male member in most cases, also no productive assets. According to World Bank estimates, the number of people living in poverty around the globe dropped into the single digits—just below 10%—for the first time in recent history, marking 2015 as a landmark year in the global fight to end extreme poverty. “*Though the extreme poor live on less than \$1.90/day, the ultra-poor are the lowest earning and most vulnerable subset of this population globally*” BRAC (2017).



**Figure 2.7: BRAC's operations in different countries and ultra-poverty graduations model**

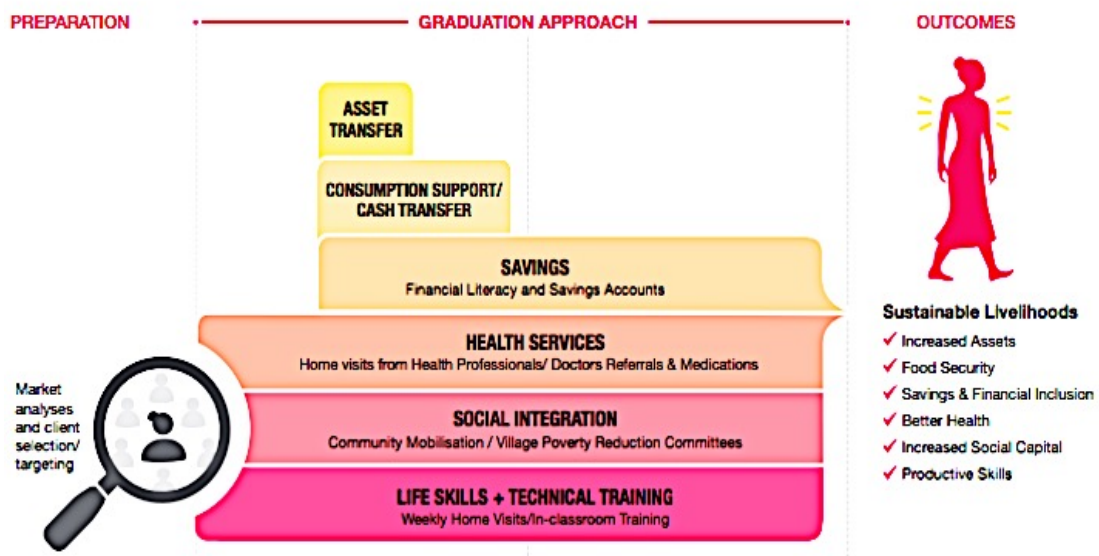


Source: BRAC (2017)

Figure 2.7 shows BRAC's operation of several countries of the world and steps taken in order to reduce ultra-poverty. BRAC strongly believes that poor and vulnerable households can and must be equipped to do more than just cope. Social protection interventions, such as cash transfers, food aid, school feeding, and public works programmes must be carefully planned to build up poor and vulnerable households and set up an asset base as well as their confidence and social capital (i.e. gender empowerment, community inclusion). Even though Bangladesh is the birthplace of microfinance, the ultra-poor are bypassed because of both demand and side factor. According to BRAC, ultra-poor eat below 80% of their energy requirements, despite

spending 80% or more of their income on food and ultra-poor people live without access to financial, healthcare and basic services. Ultra-poor people also often lack acceptance in their own communities, lack self-confidence, and have no support network.

**Figure 2.8: The ultra-poor graduation approach**



Source: BRAC (2017)

Figure 2.8 shows the “Ultra Poverty Graduation model”, a programme which deals with 1) Targeting: spatial poverty maps and community wealth rankings to identify the households in the greatest need of skills and services; 2) Asset transfer: often goats or chickens, or money to invest in petty trade business; 3) Weekly stipends: ultra-poor receive cash stipends along with guidance tailored to local knowledge and skills; 4) Saving: participants open individual savings accounts at local banks, post offices, or are encouraged to save with rotating savings and credit organisations; 5) Training: as families learn to earn and save, they receive hands-on training and weekly visits from staff to help grow their skills; 6) Healthcare: services range from health education to aid in accessing government services including family planning and preventable illness; 7) Social integration: Throughout the program, families gain confidence and acceptance within their community.

Balboni and Bandiera et al. (2015) also conducted research on the Intervention Graduation Programme: time-frame 2007-2014; research method 3 cluster-randomised controlled trials; sample size 21,063 adults in 10,495 households; location Ethiopia, Ghana, Honduras, India, Pakistan, and Peru. Findings suggest across all sites: • 4.9% increase in household consumption • 13.6% increase in asset value • 95.7% increase in savings • 37.5% in livestock revenue.

#### **2.14 Microfinance and its services for business start-ups**

Based on information from 198 MFIs in 65 countries, Shahriar, Schwarz and Newman (2016) show that for-profit MFIs are less likely to provide financial capital to business start-ups than their not-for-profit counterparts. They found that the adoption of a dominant ‘commercial’ logic by for-profit MFIs motivates them to maximise profit by extending loans to less risky ventures with mature projects. In contrast, a dominant ‘development’ logic motivates not-for-profit MFIs to alleviate poverty through supporting the creation of new ventures.

Microcredit was initially considered as a not-for-profit enterprise undertaken mainly by non-government organisations (NGOs), and financed by government and donor agencies. In recent times, conversely, a growing number of not-for-profit MFIs have converted into for-profit organisations in order to attract commercial funding. Some commercial banks have also recognised the growth potential of microlending and entered the industry either directly or through intermediaries (Bruton et al., 2011). *“Non-profit MFIs are primarily motivated by a ‘development’ logic and focus on poverty alleviation. In contrast, a ‘banking’ logic dominates for-profit commercial MFIs and motivates them to maximise profit”* (Shahriar, Schwarz and Newman, 2016, p.533).

According to Naude (2010) due to fewer opportunities for salary based work, people go for the entrepreneurial route in order to accomplish basic human needs. The significance of providing financial capital to businesses start-ups at the grassroots level has been prioritised among policy makers (United Nations, 2005). Although microfinance, in general, is a prosocial lending method, it is not-for-profit MFIs that are particularly driven by their social objectives. These MFIs hold an allocative view

of entrepreneurship and really on the assumption that every poor individual possesses an entrepreneurial skill. Thus, given access to working capital loan, she or he can start a small business and break the vicious cycle of poverty (Bradley et al., 2012; Yunus, 1999). In contrast, the dominant banking logic exhibited by for-profit MFIs results in their targeting more creditworthy and thus more profitable clients (Woller et al., 1999) cited by Shahriar, Schwarz and Newman (2016). *“This reasoning leads us to conjecture that not-for-profit MFIs might have a relatively more favourable attitude towards business start-ups, compared to their for-profit counterparts, who have a stronger incentive to maximise profit by extending loans to less risky ventures with mature projects”* Shahriar, Schwarz and Newman (2016, p.533).

Based on information from 124 MFIs in 49 countries over 1999– 2002, Cull et al. (2007) suggest that there is no direct link between the profit status of an MFI and its lending practices. Using information from 1558 MFIs spanning 1996–2010, Wagenaar (2012), conversely, demonstrates that when an MFI transforms from a not-for-profit to a for-profit organisation, it abandons the social objective of serving poor clients and moves up-market by serving relatively well-off borrowers. Using the institutional theory as a lens, management scholars (e.g. Battilana and Dorado, 2010; Kent and Dacin, 2013) argue that such transition in the microfinance industry has been driven by the dominance of a banking logic, which motivates MFIs to justify their legitimacy using financial, rather than development, metrics, such as growth and financial sustainability (Shahriar, Schwarz and Newman, 2016).

Bank loans are always difficult for a small business, and particularly challenging for start-ups (Carter et al., 1996; Cassar, 2004). As an organisation ages, it develops a high level of structural apathy, which confines it from unnecessary risk taking and experimentation and persists in using the same successful courses of action (Hannan and Freeman, 1984). As a result, the likelihood that an organisation will survive increases with age. Furthermore, as an organisation grows older, it develops strong exchange associations with other organisations, which increases its external validity (Kostova and Zaheer, 1999; Singh et al., 1986). Consequently, the obligation of novelty faced by start-ups implies that as they are less likely to continue and flourish compared to reputable firms, they will face a greater effort accessing peripheral valuable resources (Shahriar, Schwarz and Newman, 2016).

According to Mead and Liedholm's research (1998) based in developing countries, irrespective of their type and organisational structure, small businesses in developing countries face similar constraints in their start-up stage. These include unfavourable business conditions, lack of demand, lack of working capital, and absence of entrepreneurial skills to run a new business. Therefore, in general, small business start-ups are considered as risky lending propositions by lenders, due to a high likelihood of failure. On one hand, Field et al. (2013) suggest that micro-finance has a significant impact on the creation of new enterprises, especially when entrepreneurs are provided with a 'kindness' period for loan repayment. Banerjee et al. (2014), on the other hand, report that households with a microloan are no more likely to start a new enterprise than those without.

According to Shahriar, Schwarz and Newman (2016), for-profit MFIs are likely to favour established businesses over start-ups. In contrast, the development logic dominates not-for-profit MFIs. Shahriar, Schwarz and Newman's research (2016) validates whether an MFI's for-profit status influences its lending decisions towards business start-ups, and findings suggest that the rate of lending to start-ups is much higher among not-for-profit MFIs compared to for-profit MFIs. Shahriar et al.'s findings (2016) also imply that prioritising the commercial banking judgement over the development logic motivates for-profit MFIs to allocate a smaller fraction of their funding to start-ups than not-for-profit MFIs. Notwithstanding earlier indications that microcredit may contribute to the formation and growth of small enterprises (Field et al., 2013), the full potential of small business development will remain untouched if capital increasingly flows to well-known firms, rather than new entrepreneurs.

Banerjee and Jackson (2016) provide a critical analysis of the role of market-based approaches to poverty reduction in developing countries. According to Banerjee and Jackson (2016), although microfinance has become an increasingly popular approach that aims to alleviate poverty by providing the poor with new opportunities for entrepreneurship, mainly to women and to promote empowerment, their findings reflect a different image. Banerjee and Jackson (2016) found microfinance led to increasing levels of obligation among already impoverished communities and exacerbated economic, social and environmental vulnerabilities. Their findings also

suggest that the social capital can be destabilised by market-based measures like microfinance.

Rivlin (2010) is cited by Banerjee and Jackson (2016, p.2) *“Even in the United States, one of the richest countries in the world, the poverty industry is worth about \$33 billion a year comprising payday loan centres, pawnshops, credit card companies and microfinance providers who generate business from the poorer segments of the population.”*

According to many researchers and policy makers like Khandker, 2005; Westover, 2008, microfinance encourages entrepreneurship, increases income generating activity thus reducing poverty, empowers the poor, increases access to health and education, and builds social capital among poor and vulnerable communities. Besides Porter and Kramer, 2011; Prahalad, (2004) studies of market-based measures to alleviate poverty are also gaining considerable traction in the management literature where scholars have developed concepts like ‘base-of-pyramid’ and ‘creating shared value’ to address what businesses can do to alleviate poverty and enhance social welfare. However, more recently concerns have been raised about the real value and impact of microfinance. In the last few years ‘microfinance meltdowns’ have been reported in Morocco, Nicaragua, Pakistan, Bosnia, Mexico and Lebanon, and most dramatically in the Indian state of Andhra Pradesh when the entire microfinance industry collapsed in late 2010, which was the context of the quote by the then Indian minister mentioned (Bateman and Chang, 2012). More disturbingly, inability to repay microfinance loans has also been linked to ‘hundreds of suicides’ among borrowers in India (Associated Press, 2012) and organ trafficking in Bangladesh (BBC, 2013) cited by Banerjee and Jackson (2016). Much of the rhetoric of ‘empowerment’ is from a top down perspective of those that do the empowering, with little or no attention being paid to the increased vulnerabilities faced by those living in extreme poverty arising from market-based poverty reduction initiatives like microfinance (Banerjee and Jackson, 2016).

Although the dollar-a-day symbol may be a useful experiential for researchers and policy makers it does not capture the existed truths of the poor – feelings of powerlessness and vulnerability risks, for example, or poor nutrition and health arising from sustained deprivation, or gender differences in poverty (Chakravarti, 2006;

Ravallion, 2003). Economic measures of poverty may reflect the structural aspects of poverty but do not capture the cultural, social and psychological dimensions of poverty and more importantly preclude any kind of agency to the poor by ignoring their survival strategies, social relations and practices of resistance (Arora and Romijn, 2012). Some studies have identified qualitative indicators of poverty such as vulnerability, deprivation, helplessness and deficiency that arise from income poverty and the inability of the poor to leverage resources required to fulfil their basic needs (Bradshaw, 2007; Chambers, 1995; Chakravarti, 2006). Though, apart from offering estimates of the number of people living on \$1 or \$2 a day, research assessing the effectiveness of poverty alleviation measures does not provide useful insights into the lived experiences of the chronic poor or the effectiveness of poverty alleviation strategies in reducing the qualitative aspects of poverty such as vulnerability, deprivation and helplessness, or attempt to address this gap (Banerjee and Jackson, 2016).

Drawing from the extant literature, we define poverty as a process whereby people are subject to sustained physical, social, economic, political, psychological and/or spiritual deprivation that gives rise to any combination of physical weakness, perceived isolation, and feelings of ill-being, vulnerability and powerlessness (Banerjee and Duflo, 2007; Chakravarti, 2006; Chambers, 1995; Ravallion, 2003).

### **2.15 Microfinance and its influence on domestic violence**

According to Mushid, Akincigil and Zippay (2016) the likelihood of experiencing domestic violence was not found to vary with microfinance participation. However, the interaction effect of microfinance and better economic status was found to be significantly associated with domestic violence (9% increased probability).

Experience of domestic violence was negatively associated with older age, higher education of the husband, and autonomy. They also found in Bangladesh that microfinance participation may be associated with a higher probability of experiencing domestic violence for women with a relatively better economic status, however this may not apply to extremely poor users of microfinance. It is important to understand not only the social and economic impact of such a tool but also the relational impact that it can have on the lives of those who access such a loan. Bangladesh evidences many patriarchal traditions, with high rates of domestic violence, averaging 50% (Chin, 2012; Hadi, 2000; Khandker, 2005; Pitt, Khandker, & Cartwright, 2006; Rahman, Hoque, & Makinoda, 2011; Sambisa, Angeles, Lance, Naved, & Thornton, 2011; Schuler & Islam, 2008). According to Goode, 1971; Hornung, 1977; Yick, 2001, the status inconsistency theory proposes that the higher incomes and female independence that may accompany microfinance participation may threaten or weaken matrimonial norms, with insinuations regarding amplified violence.

Some studies suggest that microfinance participation and the associated empowerment may have unintended consequences in terms of increased domestic violence as traditional gender roles are challenged (Ahmed, 2003; Amin, Becker & Bayes, 1998; Bajracharya & Atmin, 2013; Goetz & Gupta, 1996; Hadi, 2000). However, the proposed and unplanned effects of microfinance contributions in Bangladesh have been argued among scholars and specialists. Some suggest that there is an intrinsic value to giving poor women an opportunity to earn additional income for the household, and microfinance is widely considered to be a tool that empowers poor women to become autonomous and independent as well as economically mobile (Amin, Rai, & Topa, 2003; Garikipati, 2008; Gill & Stewart, 2011; Hunt & Kasynathan, 2001; Jewkes, 2002; Karim, 2011; Mayoux, 2001; Schuler, Hashemi, Riley (1997) & Rahman, 1999; Rahman et al., 2011). Other studies indicate that an increase in economic empowerment due to microfinance is associated with reduced domestic violence as it lowers stress from poverty and thereby externalisation of stress (Kabeer, 2005). Analysis of samples of microfinance participants and non-participants by Chin (2012) found no reductions in violence associated with microfinance participation.

Status inconsistency theory suggests that status discrepancies may lead to dysfunctional behaviour when an individual who expects to have higher status in a relationship is



threatened by the increase in status of another (Goode, 1971; Hornung, 1977; Yick, 2001). One of the basic assumptions is that statuses that are delineated as inconsistent are “*psychologically stressful*” and result in “*stress reducing behavioural or attitudinal response*” (Hornung, 1977, p. 624).

## 2.16 Social capital

Ansari et al. (2012) dispute that leveraging the social capital that exists in poor communities may enable them to build the capabilities needed to access resources from external groups or institutions. They argue that a bottom of the pyramid approach has the potential to both hold existing social capital in needy communities while ornamental their social capital through accessing resources from external networks and groups.

There is some evidence that suggests communities with strong social networks are better able to deal with poverty and vulnerability (Moser, 1998; Woodcock and Narayan, 1999). These networks generate social capital, which reflects the general goodwill and resources that arise from networks of relationships in a community (Adler and Kwon, 2002; Putnam, 1993). Social capital is a multidimensional concept comprising of structural, relational and cognitive components (Nahapiet and Ghoshal, 1998). While poor communities lack economic assets and financial capital, their social relations play a key role in sustaining their livelihoods. Rural communities in subsistence economies are often characterised by norms of collectivist, reciprocity, sharing of community resources and extended kinship ties that are essential for their survival (Scott, 1976).

According to Banerjee and Jackson (2016) countless poor rural societies face difficulties in accessing resources from external groups because they do not possess adequate bridging social capital. The problem is compounded in developing countries where the state is often unable to provide resources and opportunities to impoverished populations. An evolving study suggests that non-statutory actors and institutions can fill the void left by the state to promote business ventures and entrepreneurship that would empower these bottom of the pyramid communities by enhancing their social capital and enabling them to escape the poverty trap (Ansari et al., 2012; London, 2009;

Mair and Martí, 2009). Many researchers may claim that microfinance can deliver economic development and social empowerment by creating connecting social capital that allows needy individuals to access external resources and networks. Nevertheless, owing to structurally inadequate power relationships between finance providers and borrowers, microfinance can also create new dependences on external institutions while adversely impacting social relationships of trust and reciprocity, thus eroding bonding social capital (Ansari et al., 2012).

Dependence on family and community networks for repayment led to another novelty – the creation of ‘solidarity circles’ (Kendra) where groups of women rather than individuals would be responsible for ‘helping’ an individual to repay loans if the borrower was facing financial hardship. Thus, the ‘social’ entered the microfinance discourse in the form of social capital, or more accurately ‘social collateral’ (Bateman, 2010 cited by Banerjee and Jackson (2016)). They also argue that supporters of microfinance claimed that offering credit to poor communities would provide a source of additional income and employment as well as access to low-interest loans, enabling poor communities to escape from the clutches of local moneylenders and loan sharks and their excessive interest rates. The availability of financial services to poor people could help them deal with susceptibilities arising from poverty, while empowering women who could find few business prospects because of masculine systems of control. Also, microfinance could help build social capital and solidarity in impoverished communities because MFIs promoted group lending and were willing to accept ‘social solidarity’ as collateral (Bateman, 2010; Matin et al., 2002).

Despite scores of reports and scholarly papers addressing the impact of microfinance, no clear picture emerges about either the sustainability of MFIs or its impact on poverty alleviation (Armendáriz and Morduch, 2005). While some studies claim that microfinance increased disposable income and enabled poor families to move out of poverty (Khandker, 2005), other studies found no evidence of such a relationship (Kah et al., 2005; Morris and Barns, 2005) and some even found a negative impact (Bateman, 2010; Dichter and Harper, 2007; Karim, 2011; Roodman, 2011). Neglecting from extant accounts of microfinance is the idiosyncratic experience of that poor, especially the extreme poor and how they negotiate the everyday grind of poverty, their financial decision-making process and outcomes, their accounts of susceptibility and

disempowerment, their experience as clients and users of microfinance, their interactions with microfinance providers, and the social and economic outcomes that result. It is to these subjective formations to microfinance that we now turn in an attempt to develop a more grounded theoretical approach (Banerjee and Jackson, 2016).

### **2.17 Implications for women and microcredit**

Drolet (2010) critically explores how feminist theories continue to affect development paradigms and discourses by focusing on women's experiences in microcredit programmes. She locates the ideological roots of key concepts in development theories and feminist thinking about women's role in development and improving women's status. She explores how feminist theories continue to affect international growth paradigms and discourses by focusing on women's roles and participation in microcredit programmes. Feminist theories continue to affect development paradigms and thus play an important role in shaping the past, present, and future discourse in critical feminist social work. The upgrading paradigm did not consider women separately as a group; it was assumed that a modern secular society would routinely progress women's situations by freeing women from the constraints of traditional cultures (Rahman, 1999b).

The gross national product (GNP) was used to measure progress in "development," and it was extensively supposed that the benefits of economic growth would "trickle down" to households (Kabeer, 2003, p.3). Disappointment with growth-dominated definitions of growth led to a reformulation of the goals of development to take greater account of poverty and the dissemination and meeting of basic needs (Kabeer, 2003, p.3) and other factors. The expectations of modernisation theory were effectually confronted by Boserup (1970) in her book entitled 'Women's Role in Economic Development' (see also Ferguson, 1996; Rahman, 1999b). Boserup criticised the modernisation approach to and conventional liberal assumptions about development by showing that the tactic had side-stepped the needs of women (Jaquette, 1982). She argued for women's integration into the development process as equal partners with men (Drolet, 2010). Boserup's work was latter disparaged on the grounds that it did not question the feasibility of a "Western" model of development for the poor in non-Western countries (Madhuri, 1992).

Micro credit has enjoyed tremendous progress starting from the initiative of Grameen in Bangladesh for lending to women and expanding to many nations in the world, including both developing and developed countries. Given women's constraints to credit and for the goal of gender equity, women are the main target of MFIs and have noticeably become the main recipients. Microcredit has been regarded as one of the crucial tools for poverty reduction and women's enablement. However, its potential in terms of poverty reduction and women's empowerment are both subject to being contested and criticised. It is also necessary to highlight that the potential in terms of women's empowerment has received more scepticism than the poverty-reducing potential. Many findings have shown that giving credit to women increases women's income and also brings about other benefits like better education and health, livelihood diversification, violence reduction, self-confidence and self-esteem etc. In contrast, other studies indicate that credit borrowed by women may be controlled by their husbands, making them more subordinated and increasing domestic violence (Al-Amin and Chowdhury, 2008).

Kabeer (1999) emphasises that women's empowerment is the process by which those who have been denied the ability to make strategic choices acquire such an ability. The ability to exercise choices entails three inter-related dimensions: resources including access and future claims to material, human and social resources; agency including processes of decision making, negotiation, deception and manipulation; and achievements which are the well-being outcomes. It is also argued that the condition for women's empowerment to take place is when women challenge the existing norms and culture, to effectively improve their well-being (Swain & Wallentin, 2007). In this logic, activities are considered as empowering when activities require women to demonstrate signs of confrontation to the existing standards of the culture in order to effectively better their lives. For example, when a woman is showing signs of fighting the restraint of her mobility by her husband or family, she is considered more empowered because she is making an effort to enhance her well-being by asserting herself. Women's empowerment can be viewed differently by the different societies: and note that activity in this country is considered as empowerment, but not in other countries. For example, mobility of women in public places is a sign of empowerment in Bangladesh, but in Vietnam it is a normal activity for women. In summary, activities

should be considered as empowerment if women are challenging the gender and social standards to effectively improve their well-being (Al-Amin and Chowdhury, 2008). With regards to measuring empowerment under the microcredit programme, Goetz and Gupta (1996) similarly use women's managerial control over productivity: loan proposal, investment in productivity assets, labour inputs, marketing and use of profits. They find that a woman's participation in a credit programme strengthens her conventional and dominant role in the household although in some instances, the loan is controlled by her husband.

According to Hashemi et al. (1996) measuring empowerment is related to mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigning. Empowerment is a process which is produced in more than one dimension, And an increase in income is not enough for women's empowerment because intra-household disparities may block women from benefiting from the income increase, even when they are major contributors (Mayoux, 2002). In addition, according to Mahmud (2003), one common dimension is women's entire well-being where women's empowerment is evaluated in terms of improvement in the welfare of women and girls, such as health, education, mobility, ownership of assets and contraceptive use. Another important dimension is women's relative well-being where women's empowerment is seen in terms of intra-household relations, like control over household income and assets, decision making, control over loans borrowed (Mahmud, 2003).

For appraisals of microcredit programmes, women's high need for loans and high repayment rates are usually taken as proxy pointers of empowerment (Goetz and Gupta, 1996). This, nevertheless, does not disclose the right connotation of empowerment. Several research studies show that giving credit to women can generate women's social and economic empowerment while other studies are showing the contrary. Microcredit can strengthen women's subordination and produce disempowerment. Evidence also has shown that an increase in income does not entail women's empowerment because there exist gender and social norms governing gender norms in the intra-household relations which lessen women's bargaining power and prevent their economic autonomy (Al-Amin and Chowdhury (2008)). It is necessary to note that an increase in

a woman's wellbeing is not necessarily empowering itself. For example, activities to improve children's nutrition will improve effectiveness in the women's role in the household. When a woman is better able to undertake such activities, her self-confidence and feeling of well-being will be increased. This may generate conditions to women's empowerment but are not empowering themselves (Swain & Wallentin, 2007 cited in Al-Amin and Chowdhury (2008). Though, from a strategic point of view, by meeting practical gender needs, microfinance can indirectly lead to women's empowerment. This is possibly true when gender norms and inequalities are socially internalised; hence, it is not easy to change the people's perception and requires a long process to alter the accepted systems. Besides, it is assumed that the empowering process is triggered only by exogenous events, missing the importance of pre-conditions like socioeconomic status, intra-household relationships, life-cycle situation, local practices and social norms, in shaping the environment where new experiences can or cannot be empowering (Mahmud, 2003).

Microfinance programmes that target women have been promoted since the mid-1990s as a key strategy for simultaneously reducing poverty and empowering women (Mayoux, 2002, cited in Drolet 2010). International conferences have promoted the idea that poor women have a right to savings, credit, pensions, and insurance schemes like anyone else (Mayoux, 2002 cited in Drolet 2010). In fact, this entitlement is an essential part of their economic rights that are enshrined in international agreements on human rights and gender equality (Mayoux, 2002). For some women, access to microfinance services has initiated a "virtuous spiral" of economic, social, and even political empowerment (Mayoux, 2002 cited in Drolet 2010). Conversely, the increasing body of evidence in the literature on microfinance suggests that its influence on reducing poverty and empowering women is generally less than implicit (Drolet, 2008, 2009; Hulme & Mosley, 1996; Mayoux, 2002; Oxaal & Baden, 1997; Rahman, 1999a).

There is a considerable gap between the potential and actual contribution of microfinance to the reduction of poverty and the empowerment of women (Mayoux, 2002 cited in Drolet 2010). *"Serious questions need to be asked about the adequacy of the particular models of microfinance that are being promoted, the underlying political assumptions about the nature of development on which they are based, and how*

*women's empowerment can be...*" Drolet (2010, p.35). There are three competing paradigms in microcredit: the financial self-sustainability paradigm, the poverty alleviation paradigm, and the feminist empowerment paradigm (Mayoux, 2002; Rhine, 1998; Woller, Dunford, & Woolworth, 1999). Mayoux's (2002) extensive theorising showed that each has a distinct discourse arising from different values and political premises. These influences enable us to understand how they affect the ways in which programmes are organised and how the programmes deliver microcredit and consider the "best" means for reducing poverty and empowering women. Most programmes normally attempt to combine one or more of these paradigms, often in uneasy coexistence, to meet the competing aims of various stakeholders (programme staff, women clients, and/or funders and donors; Mayoux, 2002).

The Financial Self-Sustainability Paradigm is the standard of microfinance that is promoted by many prominent donor agencies, particularly the United States Agency for International Development (USAID), the World Bank, the United Nations Development programme (UNDP) Micro-Start Programme, the Consultative Group to Assist the Poorest (CGAP), and the Micro Credit Summit Campaign (Drolet, 2010). The founding members of the Consultative Group to Assist the Poorest (CGAP) were Canada, France, the Netherlands, the United States, the African Development Bank, the Asian Development Bank, the International Fund for Agricultural Development, UNDP, and the World Bank. Almost \$200 million was pledged to microfinance programmes for the poorest groups in low-income countries, particularly women (World Bank, 1996). According to Mayoux (2002) the financial self-sustainability paradigm is an attempt to insert concerns about the alleviation of poverty and about empowerment into the neoliberal agenda.

The fundamental aim of the financial self-sufficiency approach is to develop large microcredit programmes that are profitable and fully self-sustaining, as in main private sector banking institutions. These "commercial financial institutions" raise funds from international financial markets, rather than from subsidies from donors and development agencies (Drolet, 2010). The prejudice of the "rational economic woman," marks a change from male recipients to female clients with responsibilities to themselves and their communities. When poor women are construed as clients in this

way, the onus for development falls squarely on their shoulders, releasing the state from considerable civic obligations (Rankin, 2002).

Procedure deliberations have been absorbed predominantly with setting interest rates to cover costs, separating microfinance from other social service involvements, increasing the outreach and scale of operations, reducing transaction costs, and using groups to decrease the costs of delivery. There are two types of subsidies: interest rate subventions and operational subventions. Interest rate subsidies can be justified on economic and social grounds and operational subsidies cover operational expenses for microfinance institutions that cannot recover costs and depend on donor subsidies and funding (Versluysen, 1999). In this paradigm, women's empowerment is as unspoken as the growth of separate choice and dimensions for self-reliance within existing structures, rather than examining underlying restrictions. The financial self-sustainability paradigm assumes that access to credit (by targeting poverty) and increasing the number of female clients is adequate for easing poverty and empowering women. Credit is intended to help women in meeting their everyday needs. The underlying philosophy of the poverty alleviation paradigm, derived from supply-leading finance and the widespread funded credit programmes that evolved from these theories, arose in response to situations that existed after World War II (Robinson, 2001). Concerned with increasing the cultivation of food, governments provided farmers with subsidized capital to pay for the inputs that were required to cultivate high-yielding varieties of rice and wheat, which marked the green revolution of the 1960s and 1970s (Robinson, 2001).

It is also presumed that growing women's access to microfinance will increase women's decision making in the household and access to income for both making and consumption, also improve women's status in the community. It is also believed that women's interests coincide with those of the household, particularly children. There is substantial uncertainty about addressing gender issues, if doing so may lead to encounters within households or communities. The main critique of the poverty alleviation paradigm is that it is not sufficient to focus solely on the household level, because entire household inequalities mean that women do not necessarily benefit from increases in household income, even when they are major contributors (Mayoux, 2002).



The financial self-sustainability and poverty alleviation paradigms seek to integrate women into the existing neoliberal capitalist market system through microcredit (Drolet, 2008). As, for example, the financial self-sustainability model aims to develop sustainable programmes that reach many people. the poverty lending model operates on subsidies that are designed to lower interest costs for poor clients. Only the feminist empowerment paradigm questions the standard account—of whether credit is the missing piece in development—and offers a more comprehensive understanding of the underlying constraints that women face by allowing us to consider relations of production and reproduction. Their fundamental method of the feminist empowerment paradigm (based on equity, empowerment, and equality), the rationale for targeting women (equity and human rights of women), and the understanding of empowerment is better situated to understanding women's experiences in microcredit (Drolet, 2010).

Women's own interests are frequently subordinated to those of the reduction of household poverty and the financial sustainability of programmes (Mayoux, 2002). Studies have shown that programme staff openly state that the main motivation for targeting women is that they are perceived as more careful and passive clients (Cheston & Kuhn, 2002). Unlike men, women are prepared to devote considerable time and energy to group activities, which decreases the costs of programmes (Cheston & Kuhn, 2002). Women are consequently a suitable, cost-effective, and reasonably risk-free means of directing loans to men within households and creating a savings base (Mayoux, 2002). If women are to really benefit from microfinance programmes, aims and strategies for women's empowerment need to be mainstream, rather than marginal add-ons to programmes that are designed for financial sustainability or the alleviation of household poverty (Mayoux, 2002). Therefore, in the growing literature on microfinance, there is no clear consensus on how microcredit and women's empowerment can be measured. However, in general, a distinction is made between two basic approaches. Many microcredit initiatives are viewed as promoting a narrowly individualistic definition of empowerment and ignoring the collective dimension of empowerment (Oxaal & Baden, 1997).

The term 'development' is used by philosophers and specialists who draw on different conceptual frameworks with different processes and goals. Other key terms that merit scrutiny are equity, participation, and empowerment. These words, separately and in

combination, are used to refer to immensely different situations. While this diversity of connotations is not only a matter of misunderstanding, it is actually a key feature of the effective disposition of these words to meet specific agendas. Policies and programmes that use these terms can mask major differences and reduce the scope of critical debate: Drolet (2010). Women's lives are built around multiplies machetes—such as race, class, gender, culture, age, and ethnicity—that interact in complex and unexpected ways over both time and place (Connelly et al., 2000).

It's reasonably difficult to measure female entrepreneurship as practitioners are focusing on what women want in their cultural context. Different studies have indicated that women's empowerment has different dimensions and levels, some of which are related to individual situations and abilities, and others dependent on a woman's environment. Women-related theories continue to affect expansion paradigms and thus play an acute role in determining the past, present, and future discourse in social work (Drolet, 2010).

## **2.18 The impact of microcredit on the poor in Bangladesh**

Develtere and Huybrechts (2005) evaluate the evidence on economic impacts, which suggests that the susceptibility of bank members has been reduced even if there is no consensus about whether the Grameen and the Bangladesh Rural Advancement Committee (BRAC), two micro finance institutions, also reduce poverty. They also discuss the social impact, especially in relation to the situation of poor women and to various spill over effects in different spheres of social and economic life. They have been criticised for their neoliberal developmentalism, their social control and disciplinary imperatives, and the subsidised system of lending that they apply. Others look at them from the perspectives of a growing space for civil society, or the emergence of a social economy, or a third sector.

*“Loan repayment remains the major trouble when it comes to women's control over loan use. When a man makes sure that his wife can pay back her loan, there is not much of a problem; however, since the wife remains responsible for the repayment to the centre, things become more serious when a husband refuses to pay back money he has*

*used. Moreover, the tensions that this situation brings may escalate into domestic violence.”* (Develtere and Huybrechts, 2005, p.22)

It is difficult to draw unequivocal conclusions out of these contradictory findings. Much quantitative and qualitative research has been done on micro finance, And few research is based on more qualitative, sometimes anecdotal, evidence; consequently, some figures refer to “average” and others to “non-average” outcomes. In this way, the general findings of Hashemi et al., that violence against women decreases when they join a microcredit institution, can be inconsistent with Rahman’s statement that the violence in some households increases. Further, Kabeer (2005) contends that an accurate definition of the terminology used in the research is indispensable. Goetz and Sen Gupta, for instance, conflate “control” and “management” of a loan, whereas making decisions about loan use and indecisions about implementation are two different things; consequently, they do not indicate the extent to which the wife was involved in the decision-making process of allocating the loan (Develtere and Huybrechts, 2005). Hashemi et al. notice that a loss of control over loan use does not necessarily exclude the emancipation of women. Even if a wife entirely lacks control, membership of the microcredit institution can offer her a lot by bringing her in contact with other people and ideas. Without the prospect of getting access to credit, most women probably would not be permitted to join the programmes and get the educational and social benefits. In this way, participation actually stimulates women’s emancipation.

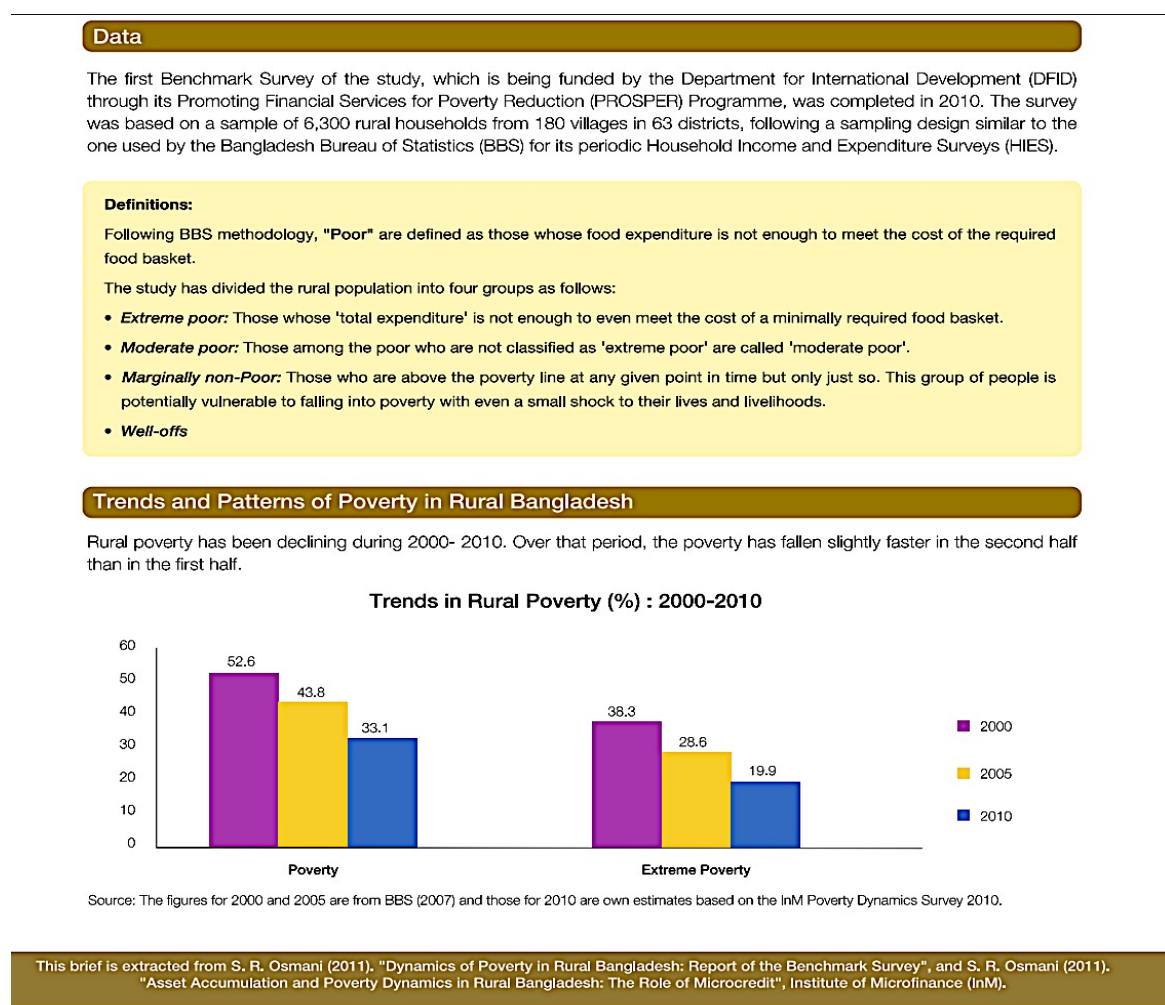
Kabeer (2005) closes that these conflicting opinions are due to differences in the philosophies that researchers have in the use of the word ‘control’. By and large, the negative appraisals consider only the wife’s individual control over loan use as emancipating; the more positive studies value it as highly progressive for a patriarchal society if a wife and husband decide together. *The main benefits women derive from participating in microcredit programmes are:*

- *Greater involvement in income-earning activities*
- *Increase in awareness about social, economic, and health related issues*
- *Increase in the adoption of family planning methods*
- *Increase in girls’ education and school-enrolment rates”* (Develtere and

Huybrechts, 2005, p. 23).

The assessment of the economic impact revealed that the Grameen Bank and BRAC definitively prosper in reducing their members' susceptibility and, as a consequence, succeed at preventing them from failing. There was, however, no consensus on whether the two institutions also reduce poverty. The criticism that the Grameen Bank and BRAC would not reach the bottom poor was refuted, and it is clear that the poorest make up the largest group among their members (Develtere and Huybrechts, 2005).

**Figure 2.9: Trends and patterns of poverty in rural Bangladesh**



Source: Institute of Microfinance (2015)

Figure 2.9 demonstrates rural poverty in Bangladesh has been declining during 2000-2010. However, no significant evidence was found with regards to microfinance being the only way of reducing poverty.

### **2.19 The issue of multiple borrowing**

Due to the many MFI providers in Bangladesh there is an increased danger of borrowers taking on multiple loans, over-extending themselves financially, and facing repayment problems. Access to manifold micro finance institutions and belligerent lending policies can lead to borrowers obtaining multiple loans concurrently from different MFIs. Many times, these loans are used for consumption spending or to pay back other loans. This can lead to an unproductive cycle of liability that makes it difficult for the borrower to avoid being overwhelmed (Rahman, 1999a). In Bangladesh, due to the huge number of microfinance institutions, they are inclined to compete with each other. And these types of unintended competitions lead to the creation of imbalance in the community. These difficulties include: borrower over-indebtedness, reduction of loan repayment incentives, and increase in unpaid debts (Luoto, McIntosh, & Wydick, 2007).

Evidence shows that borrowers who take loans from multiple organisations have higher debt levels and are more likely to default on those loans (Vogelgensang, 2003; McIntosh and Wydick, 2005). In addition to the problem of multiple borrowing from MFIs, some borrowers choose to take loans from commercial banks and loan sharks at the same time as they are participating in microfinance programmes. Incontrollable debt piles force borrowers to make difficult financial choices. Microfinance programme participants can find themselves in a cycle of “microcredit dependency” that can lead to borrowers obtaining loans with extremely unfavourable terms. In some cases, peer pressure has required borrowers to take on expensive loans from informal moneylenders in order to repay their microfinance loans (Selinger, 2008).

Tilakaratna & Hulme’s findings (2015) show there has been a surge in multiple borrowing in the microfinance sector in Sri Lanka, while main microfinance institutions (MFIs) have experienced high levels of borrower turnover, worsening portfolio quality and weak financial performance. The lack of any formal mechanism to monitor multiple borrowing and share credit information among MFIs, and limitations in the current regulatory framework for MFIs, also raise concerns over the likelihood of a credit bubble in the microfinance sector, as happened in Andhra Pradesh in 2009 and, previously, in Nicaragua, Bosnia and Herzegovina and Morocco.

Commercial financial resources to microfinance have increased heavily, leading to further expansion in the microfinance industry. Alongside this growth of microfinance institutions (MFIs) in number and in size, several countries have recently experienced rising competition and increasing levels of multiple borrowing in their microfinance sectors (Chen, Rasmussen & Reil, 2010; Reed, 2011; Roodman, 2012). Recent evidence from countries such as India, Nicaragua, Bosnia and Herzegovina and Morocco shows that multiple borrowing in the microfinance sector led to increased debt levels among MFI clients, causing repayment crises in these countries (Chen et al., 2010; Microfinance focus, 2011 cited in Tilakaratna & Hulme (2015).

In Andhra Pradesh (in India), rapid growth and multiple borrowing in the microfinance sector, along with aggressive lending and recovery practices by MFIs, are claimed to have caused over-indebtedness among borrowers, and have brought undesirable outcomes such as borrower harassment, humiliation and confiscation of assets by MFI officers and reports of borrower suicides. This has impacted negatively on India's microfinance sector and the global microfinance industry more broadly (Consultative Group to Assist the Poor [CGAP], 2010; Hulme & Arun, 2011; Wright and Sharma, 2010). The experience of Andhra Pradesh in particular may be leading to a partial reversal in the outlook for microfinance. Doubts about whether microfinance does benefit the poor (Bateman, 2010; Roodman, 2012) and concerns over multiple lending, multiple borrowing and client over-indebtedness have challenged the narrative that microcredit can reduce poverty. This has shifted the focus of policymakers and donors to a series of new concepts such as 'responsible finance', 'client protection' (Centre for Financial Inclusion, 2011 cited in Tilakaratna & Hulme, 2015) and 'due diligence' (Roodman, 2012). In this context, this article examines evidence from Sri Lanka and reveals increasingly high levels of multiple borrowing in the microfinance sector in recent years (Tilakaratna & Hulme, 2015). Tilakaratna (2013) finds that around 75 percent of MFI borrowers access multiple financial institutions, with a significant share borrowing from a mix of commercial financial institutions (CFIs) such as banks and MFIs. The share of multiple borrowers in the microfinance sector has more than doubled between 2006–2007 and 2009–2010.

A number of mitigating factors indicate that a systematic collapse in the microfinance sector in Sri Lanka is doubtful, at least in the near future. Despite an increase in multiple

borrowing and unresolved loan balances in recent years, the debt levels for the majority of MFI borrowers, including multiple borrowers, remain at manageable levels. However, the high and rising levels of multiple borrowing among microfinance institutions' clients suggest the need for greater client protection, more effective monitoring and regulation, credit information sharing among micro finance institutions and consolidation of the performance of micro finance institutions (Tilakaratna & Hulme, 2015).

A considerable part of the world's poor has limited, if any, access to formal bases of credit. Instead, they depend on informal credit from expensive moneylenders or have to borrow from family and friends (Collins et al. 2009). Such credit restricting may oblige entrepreneurship and keep people trapped in poverty. Augsburg, Haas, Harmgart & Meghir (2012) tried to find out whether the availability of credit for the more disadvantaged can reduce poverty. They concentrated this question by analysing the results of an experiment where they randomly allocated loans (at the individual level) to a subset of applicants considered too risky and "unreliable" to be offered credit as regular borrowers of a well-established microfinance institution (MFI) in Bosnia and Herzegovina. Their study group was poorer and generally more disadvantaged than regular borrowers of the institution. They had all applied for a loan but were subsequently turned down, as the loan officers deemed them of lesser quality than regular clients.

By analysing this interesting group, Augsburg, Haas, Harmgart & Meghir wanted to find out whether alleviating credit constraints can be an effective anti-poverty tool. Furthermore, the fact that they are applicants implies that almost all individuals in the treatment comply (take-up the loan), which increases the power of the experiment. Many of their findings strengthen the evidence found in other contexts: the loans increased levels of business activity and self-employment, interest rate is 22% and the average maturity just over a year. This did not translate into increased household income in the 14 months of our observation period. They also found evidence that business profits increased. Those without savings were mainly the less-educated. These facts are consistent with investments being lumpy and with the loans being too small in themselves to start or expand a business. It seems that households, in anticipation of future returns, used their own resources to top up the loan to reach an amount of funds

that was sufficient to make an investment of a certain minimum size (Karlan, Osman, and Zinman, 2013). Their findings also show a decline in consumption and of savings (including household durables). Karlan et.al. (2013) interpret this as implying that households need to make lumpy investments and that they use their own funds to match those available from the loan to achieve their goal. Interestingly, the consumption of alcohol and tobacco also declines, as observed elsewhere in the literature, although they cannot rule out that part of the reduction in savings and consumption is driven by households that are still repaying their debt. They observe a substantial increase in the labour supply of 16-19 year olds who work more in the household business.

Liquidity restraints may not be the only impediment to income growth. Training that allows better identification of business opportunities and possibly better management may also be crucial elements of a policy that encourages the poor into successful self-employment (Bruhn, Karlan, and Schoar (2010)) cited in Augsburg, Haas, Harmgart & Meghir (2012). *“This point is underscored by the fact that the microloan programme for this group was loss making and led to an implicit subsidy of \$268 per household. This contrasts with the much better performance of loans extended to non-marginal clients of the same MFI over the same time period. Indeed, such an implicit subsidy may distort the selection into self-employment and away from other potentially more productive activities.”* (Augsburg, Haas, Harmgart & Meghir, 2012, p.27). These kinds of subsidy may distort the selection into self-employment and may damage potential entrepreneurial activities.

In conclusion, their experimental study came at a predominantly difficult time, namely at the height of the 2008-09 financial crisis, which intensely affected Bosnia and Herzegovina. After years of rapid credit expansion, various Bosnian MFIs experienced an increase in non- and late repayment (Maurer and Pytkowska, 2011 cited in Augsburg, Haas, Harmgart & Meghir, 2012).

## **2.20 The dark side of microfinance**

Research on the role played by microfinance has highlighted its marginality, fragility, and lack of coherence or consistency. Microfinance institutions, similar to many other funding and service vehicles, have grown strongly over last 12 years.



### *2.20.1 Inflexible loan repayment rules and targeting mainly women related issues*

A major drawback of the micro-credit framework is its inflexible loan repayment rules (Ananth et al. 2007). Even though microfinance institutions are dealing with very poor entrepreneurs in terms of the rigid system of loan repayments they are quite strict and unethical, due to lack of clear information, seasonal variations in terms of productivity of crops, and the fact that most of the users are not literate.

According to Gibbons and Meehan (2002) in 2000, more than 19 million of the world's poorest households could access micro loans, and most to them are female. Women accounted for 70% of the world's 1.3 billion absolute poor and women's status, condition, education and medical care showed huge room for improvement (Burjorjee *et al.*, 2002). In developing countries like Bangladesh, therefore, microfinance — particularly involving women — has risen swiftly. The World Bank report shows more than 100 million persons all over the world now have access to microcredit. Among the 106.6 million who do, out of the poorest customers served at the end of 2007, 83.2% are women. This rate showed very strong growth from the early 2000s. The number of women customers rose from 10.3 million to 88.7 million (Gandja, Estay, Tchankam 2016)

### *2.20.2 Interest and transaction costs and small loan-related issues*

Any expanding organisation should take special care of its vision and without losing concept of their initial strategy, they need to balance benefits that can deviate seriously. Microfinance and or alternative finance institutions have two levers to build up their customer base: financial costs and transaction costs that are lower than their competitors'. When competing with individual lenders, the only tool available to alternative finance organisations is to charge lower interest. When competing with commercial banks, their competitive advantage resides in their ability to lower transaction costs. Their overall strategy involves playing on these two factors to ensure that the costs (either interest or transaction) of their loans are lower than their two types of rival. Without regulation, microfinance or alternative finance run a greater chance of failure, resulting in terrible financial and social concerns for their clientele (Gandja, Estay and Tchankam, 2016).

Two research studies conducted in Asia (IFAD, 1994; Sunimal, 1995) showed that only 3% of all loans of less than USD 100 created new companies or jobs. Loans of between USD 100 and USD 1,000 account for the creation of 7–12% of all micro-enterprises. Loans of more than USD 5,000 are what trigger a real growth process, based on investment in new production units, improved productivity, and the opening of new markets. Client unsustainable debt is perhaps the single most important reason behind the wave of hugely destructive repayment crises and microfinance in previously supposedly well-performing microfinance sectors, notably in Bolivia in 1999-2000, Nicaragua and Morocco starting in 2008 and, most recently and spectacularly, in Andhra Pradesh state in India in 2010 (Arunachalam, 2011).

**Table 2.1: MFI's effective interest rates**

| MFIs Effective Interest Rates, Data From The APMAS Study Conducted in 2010 |  |                         |             |                  |                        |                                |   |                |                |                           |                          |                |                                      |                               |                               |
|--|--|-------------------------|-------------|------------------|------------------------|--------------------------------|---|----------------|----------------|---------------------------|--------------------------|----------------|--------------------------------------|-------------------------------|-------------------------------|
| Name of the Borrower   | Name of Mandal   | Name of the Institution | Loan Amount | No. Installments | Period of Installments | Equated Amount (or EMI or EWI) | Amount Collected for Loan Insurance when Sanctioned | Any other Fees | Total Interest | Principal per Installment | Interest per Installment | Total Interest | Total Fee (Processing and any other) | Effective Rate of Interest pa | Effective Rate of Interest pm |
| Respondent 1   | Aluru Cluster - Aluru Mandal   | MFI I                   | 12000       | 50               | Weekly                 | 270                            | 240   | 120            | 1500           | 240                       | 30                       | 1500           | 360                                  | 31.61%                        | 2.63%                         |
| Respondent 2   | Gunthakal Cluster - Uravakonda Mandal                                | MFI II                  | 10000       | 50               | Weekly                 | 250                            | 50  | 325            | 2500           | 200                       | 50                       | 2500           | 375                                  | 58.63%                        | 4.89%                         |
| Respondent 3   | Gunthakal Cluster - Uravakonda Mandal                                | MFI II                  | 5000        | 50               | Weekly                 | 112.5                          | 25  | 212.5          | 625            | 100                       | 12.5                     | 625            | 237.5                                | 35.18%                        | 2.93%                         |
| Respondent 4   | Gunthakal Cluster - Uravakonda Mandal                                | MFI II                  | 10000       | 50               | Weekly                 | 225                            | 50  | 325            | 1250           | 200                       | 25                       | 1250           | 375                                  | 33.14%                        | 2.76%                         |
| Respondent 5   | Gunthakal Cluster - Uravakonda Mandal                                | MFI II                  | 10000       | 50               | Weekly                 | 225                            | 50  | 325            | 1250           | 200                       | 25                       | 1250           | 375                                  | 33.14%                        | 2.76%                         |
| Respondent 6   | Gunthakal Cluster - Uravakonda Mandal                                | MFI I                   | 10000       | 50               | Weekly                 | 225                            | 200   | 100            | 1250           | 200                       | 25                       | 1250           | 300                                  | 31.61%                        | 2.63%                         |
| Respondent 7   | Gunthakal Cluster - Uravakonda Mandal                                | MFI I                   | 10000       | 50               | Weekly                 | 225                            | 200   | 100            | 1250           | 200                       | 25                       | 1250           | 300                                  | 31.61%                        | 2.63%                         |
| Respondent 8   | Gunthakal Cluster - Uravakonda Mandal                                | MFI I                   | 10000       | 50               | Weekly                 | 225                            | 200   | 100            | 1250           | 200                       | 25                       | 1250           | 300                                  | 31.61%                        | 2.63%                         |
| Respondent 9   | Gunthakal Cluster - Uravakonda Mandal                                | MFI I                   | 8000        | 50               | Weekly                 | 180                            | 160   | 80             | 1000           | 160                       | 20                       | 1000           | 240                                  | 31.61%                        | 2.63%                         |
| Respondent 10  | Gunthakal Cluster - Uravakonda Mandal                                | MFI I                   | 8000        | 50               | Weekly                 | 180                            | 160   | 80             | 1000           | 160                       | 20                       | 1000           | 240                                  | 31.61%                        | 2.63%                         |
| Respondent 11  | Kamareddy Cluster - Domakonda Mandal (Janagama, Muthyampet villages) | MFI III                 | 14000       | 50               | Weekly                 | 315                            | 420   | 0              | 1750           | 280                       | 35                       | 1750           | 420                                  | 31.61%                        | 2.63%                         |
| Respondent 12  | Kamareddy Cluster - Domakonda Mandal (Janagama, Muthyampet villages) | MFI I                   | 10000       | 50               | Weekly                 | 225                            | 200   | 100            | 1250           | 200                       | 25                       | 1250           | 300                                  | 31.61%                        | 2.63%                         |
| Respondent   | Kamareddy Cluster -  | MFI I                   | 10000       | 50               | Weekly                 | 225                            | 200   | 100            | 1250           | 200                       | 25                       | 1250           | 300                                  | 31.61%                        | 2.63%                         |

Source: Microfinance in India (2011)

Table 2.1 above shows 31% to 58.63% high interest on loan amounts from 8,000 to 14,000 rupees. It's based on 50 weekly instalments. Arguably due to all other costs the interest rate is very high. It's difficult to receive such kind of return on investment from any legal business. Therefore, it's really difficult to pay off liabilities.

The effect of giving credit to women has been a provocative issue. At one end of the spectrum, some contend that microcredit has positive impacts on gender equality, women's empowerment and the wellbeing of households. On the other end of the spectrum, microfinance is thought to bring negative impacts for women (Hulme, 2000 cited in Al-Amin and Chowdhury, 2008). Regarding the positive impacts of microfinance on women, microfinance is claimed to help to reduce poverty by rising consumption among microcredit programme participants and their families, improving children's schooling and nutrition, and increasing income and self-employment (Khandker, 1998, Pitt et al., 2006). However, according to Goetz and Gupta (1996) they have proved that most of women's loans are directly controlled by males while female borrowers are still responsible for the repayment. In most instances, because of pressure for enforcement of loan contracts, women have to reduce necessary household basic needs, and use savings to repay the loans in case men invest badly or are not willing to give money for repayments. Therefore, women's lost control over credit has reinforced gender norms and worsened the welfare of women and households (Al-Amin and Chowdhury, 2008).

Some studies suggest that women are approached by MFIs to reduce transaction costs. Women are more susceptible and always try their best to look after their children, thus increasing the burden for women, deepening frustration and tension among household members and in women's groups (Rahman, 1999a; Kabeer, 2001 cited in Al-Amin and Chowdhury, 2008). There is very little indication of radical change in the gender division of labour resulting from women's access to loans, as women are still doing conventional home-based jobs like poultry raising, tailoring etc. (Kabeer, 2001). Clearly the traditional jobs require rigorous labour and bring low returns, increasing the burden on women who already carry out substantial roles. Apart from the positive and negative impacts as argued above, there are obviously other aspects of negative and positive effects generated by microcredit interventions in the literature (Al-Amin and Chowdhury, 2008). The aim of studying the negative side of microfinance is to consider the undesirable side as lessons learnt. It is important to research whether credit alone is adequate to empower women and to contest existing gender norms. Al-Amin and Chowdhury critically argued on women's control over credit and savings. Findings of an adequate number of studies show that giving credit to women can improve

economic independence, bringing about wider impacts at community level, which can change the gender norms and women's status in the family and society. Women can use profits from loan investment or the loan itself to increasing bargaining power in the household, increasing women's voice in the decision-making processes of the households and the community. Al-Amin and Chowdhury also discussed and analysed the practical constraints that limit or block the women's control over credit and savings.

Goetz and Gupta (1996) carried out a survey with a range of questions asking about women's control over productive process, and they use an index of loan control for interpretation, from full control over the entire productive process to no control, and involvement in these processes. According to Goetz and Gupta the majority of women have little or no control over loans, according to the criteria, as most of the loans are invested in male activities. Therefore, male control over the loans is in reality very likely to happen, given women's constraints of right to control and social and gender norms over the productive process in most developing countries.

Various research suggests that several strategies in the area of MFI industry all have some sort of consequences on women. Repayments are not controlled by women themselves. Good relationships between husband and wife may improve loan repayments. However, the development objectives to give credit to women may damage this good relationship. If men invest badly and cannot provide adequate instalments, women might pay themselves with a reduction in savings, also a reduction in expenditure on household consumption. In numerous cases men are not willing to make repayments for the loans contracted by women, and strains and ferocity within the families may be increased. (Al-Amin and Chowdhury, 2008).

From a community and cultural perspective, it is shameful for women to register ownership over "male" assets such as tractors, rickshaws and irrigation pumps. Men are typically seen as breadwinners of the family and are responsible for the whole household's welfare (Kabeer, 2001). Given inescapable gender dissimilarities in many developing countries, women's ownership of productive assets is hardly recognised at cultural and legal dimensions. Bangladeshi legal systems do not support women in terms of ownership and property right and women's names do not appear in the ownership titles of useful assets. Even when women are granted the ownership right,

informal social institutions still do not accept this. Consequently, with such great complications, there is no inducement for women to invest in useful assets when they cannot hold control over them (Al-Amin and Chowdhury, 2008). Furthermore, according to Holvoet (2006), the majority of husbands alone make decisions about where to pool resources and who manages the cash. Other studies show that when the size of the loan is increasing, loss of direct control appears to correlate with the increase, because most of women's investments like livestock rearing or paddy husking are too small to absorb larger cash inputs (Goetz & Gupta, 1996, Kabeer, 2001, Al-Amin and Chowdhury, 2008). Therefore, women's loans are easily twisted into household assets and incomes without having women's ownership of household family possessions. The likelihood is that women transfer credit to their husbands just to keep stability of families and act as important survival strategies (Sengupta & Aubuchon, 2008, Goetz & Gupta, 1996 cited in Al-Amin and Chowdhury, 2008).

In the male-controlled societies, these actions seem reasonable because family conflicts and tensions are viewed as humiliation by other relatives and the community. Women's loss of control over the loan can increase their vulnerability and be a further burden for women themselves. Moreover, the loss of control may occur for women living in rural areas where their mobility and occupational choice is limited within the house and village. Pressure of repayment and fear of social sanction by other members in the lending group are also factors that contribute to lessen their courage and entrepreneurship to take the loan and to start in business themselves. Failure to repay is considered a serious shame for women and expulsion from the village is imminent (Harper, 2007 cited in Al-Amin and Chowdhury, 2008). Hence, access to credit in this sense is not likely to empower women. The loans can increase the income and consumption for the family, but it is deepening the resource division between men and women in the family (Garikipati, 2008). Due to gender norms and imbalanced intra-household relations, women's involvement in the households is seen as secondary or a very small portion in addition to the source of income from the spouse. In many cases, when evaluating the women's control over loan, observation and analysis should be done beyond the surface of microcredit borrowed by women. For instance, women may have control and use over the loan, but nonetheless ultimately when they earn profit, they hand it over to their husband for use and control (Al-Amin and Chowdhury, 2008). The poor are fully knowledgeable representatives, but their group is constrained by a

lack of resources, opportunities and strategic linking capacity which is likely to be guided by some types of cognitive or cultural models (Bastiaensen, 2009). Given social and cultural restrictions faced by women, it seems problematic for women to get out of poverty.

It is believed that credit programmes for women generate positive change in household decision making, greater bargaining power within the household, entry to financial and economic assets and independence of mobility and social networks (Swain & Wallentin, 2008). Another possibility which can worsen women's poverty status originates from microcredit itself. Field representatives of microfinance institutions, forced to disburse and recover large volumes of credit, may encourage women to take larger loans without further providing non-financial technical services to improve their business, productivity and market for their products. Doing so may have negative consequences on women clients and make them more indebted because larger loans may be misused for consumption needs or misused by men, which give little chance to invest in business or productive activities to generate profits for repayment (Goetz and Gupta, 1996 cited in Al-Amin and Chowdhury, 2008). Some countries in South Asia alike India, Nepal and Bangladesh have seen dowries and weddings as status-defining moments. Therefore, it is very likely for women and their families to spend loans on these costly events (Shakya & Rankin, 2008).

Microfinance institutions' strategy to gain financial independence and profit maximisation is that they prefer to serve the marginally poor and reduce their agricultural portfolio (Bastiaensen & Marchetti, 2007; Sengupta & Aubuchon, 2008), as serving the poorest of the poor is more costly than reaching other segments of the market. Therefore, it is hard to achieve the leverage between financial sustainability and outreach (Conning, 1999). And hence most MFIs still require the help of donor and subsidies for their operations (Sengupta & Aubuchon, 2008). Nevertheless, the MFIs often charge high interest rates. For example, Banco Sol of Bolivia charges high interest rates, from 12 into 24 percent, to be financially dependent and gain a profit. The Grameen Bank in Bangladesh charges an annual interest rate of 20%, which is 8% higher than the commercial bank (Rahman, 1999a cited in Al-Amin and Chowdhury, 2008). Clients of "Banco Compartamos" micro finance institution in Mexico, have to pay 94 percent per year on loans (Cull et al., 2009).

The rich can borrow loans with lower interest rates than the poor. As a result, with the responsibility as loan takers for paying the instalments with high interest rates, it is unavoidable for women to work harder and face more pressure, or, they have to bear heavy consequences (Kabeer, 2001). According to Al-Amin and Chowdhury (2008), by giving little amounts of credit to women, policy makers expect that women may climb up the financial ladder and step out of poverty, breaking the vicious circle of poverty. This expectation seems to be far from the truth. A woman's social and cultural constraints and other specific hindrances like access to the market, specific types of investment with low returns, and short-term loans prevent her from expanding the business. Therefore, in this case additional finance does not allow her to make an additional flow of net income, and microfinance's contribution is just to make poverty of a more bearable type (Bastiaensen, 2009).

According to microfinance institutions and in the view of policy makers of Bangladesh, the poor can be entrepreneurs who are able to run a business and soon get out of poverty. Nevertheless, naming the poor as entrepreneurs under microcredit programmes has received cynicism. The self-employed make up about a third of the labour force in low-income countries and these 'own account' workers work alone, hiring no paid employees. The World Bank finds out that approximately two-thirds of the 'own account' workers should be classified as wage workers rather than microenterprise entrepreneurs, based on their ability, motivation and competitive attitude (De Mel et al., 2008).

## **2.21 Modern Bangladesh**

*“Bangladesh and its economic and social conditions have been improving. While income levels remain low, there has been steady growth of 5 to 6 percent for the past decade that raised incomes to \$1,700 (per capita gross domestic product [GDP] on purchasing power parity [PPP] basis)”* (Chen and Rutherford 2013, p.3). The expenditure on mainly goods is increasing relative to their income level. The history of economic development of Bangladesh will be reviewed more in the next chapter.

*“Loan and savings payments are still collected at a set time in each village but increasingly groups do not meet as a body. Some members send their repayments through a neighbour or simply wait for the loan officer to appear at their doorstep. Savings, which were once fixed in value and compulsory, have become largely voluntary and more flexible”* (Chen and Rutherford 2013, p.3). Although in the past the group lending technique was encouraged and showed as a positive attribute to micro finance. These changes reflect some of the micro-credit clients got more experience in terms of how to seek loans from different micro finance institutions. Consequently, group cohesion and extension to knowledge-related activities doesn't take place as much as before (Chen and Rutherford 2013).

## **2.22 Aggressive microfinance institutions in Bangladesh**

As F. H. Abed, the founder of BRAC, says, *“Small may be beautiful, but large is necessary.”* This statement says a lot about the approach and attitude towards the micro finance industry in Bangladesh. Another powerful micro finance institution, BURO, was only a regional player but now because of aggression managing competes with the large players. ASA was founded by Shafiqul Haque Choudhury and a small band of colleagues as a non-government organisation (NGO) in 1978, promoting the social and political empowerment of the poor. In 1991, ASA was the most effective way to help millions of poor people; it grew fast. By 2002 ASA was snapping at the heels of BRAC and Grameen, and during 2002–2007, in terms of number of branches and clients, ASA was growing very fast.

As Mosharrof Hossain, director of finance at BURO Bangladesh, explained: *“We continued to expand our operations rapidly from 2005 through 2010 to achieve our goal to be a nationwide microfinance organisation. We knew that overlapping (multiple borrowing) was increasing but we felt that despite this that we were experienced and could handle things”* (Chen and Rutherford 2013, p.8). MFI management did recognise the possible consequences; however, MFIs didn't stop competing against each other even though competition was fierce in some cases.

Although big microfinance institutions behave like oligopoly market structures **the** slow-down was not coordinated among the big players, nor did they act at exactly the



same time. One MFI was growing fast where another was slowing down its expansion. *“For example, in mid-2007, just as ASA started to back-pedal, BRAC began the biggest branch expansion in its history. But by mid-2008 these late shakes of growth had ended, and aggregate branch and staff numbers stopped growing. Only BURO, which had taken on large bank debt and needed to deploy it quickly, bucked the trend, and did not slow growth until 2010”* (Chen and Rutherford 2013, p.9).

MFI must understand in order to provide good financial customer service, they need to be customer focused, MFI's must identify customer needs properly. Becoming a customer-centric institution is not easy and is often a journey that involves completely shifting how a financial service provider operates. However, specialists of business success across industries approve that customer-centric providers tend to do well in the long run, as they are better at absorbent customer trustworthiness and recognising and meeting changing requirements (CGAP, 2016).

Since 2001 small-scale entrepreneurs have borrowed from more than one micro finance institutions; some estimates indicating that just over 30 percent of borrowers had loans from more than one MFI (Khalily and Faruquee, 2011).

Although this kind of multiple borrowing could be dangerous for the economic situation of Bangladesh, some in the industry indicated that multiple borrowing has its merits, arguing that it allows borrowers to better manage cash flows and it reduces repayment risks and / or liquidity crises among the micro financier institutions.

In developing nations like Bangladesh, successful people used the money they made from farming to diversify into small-scale industry. Such economic transformation could mainly happen through hard work. In most other parts of developing Bangladesh, rural relocation has not resulted in a smooth transition to the formal urban economy, built in a highly precarious existence on the economic margins, and a reliance on the informal economy, much of which remains connected to family businesses in the countryside. Unfortunately, in many cases wrong use of capitalism and or capitalism itself ruined rural productivity. According to Marx, Engels, and Lenin, inherent structural conflicts within society generate constant change through political and economic crises (Burrell and Morgan, 1979).

Microfinance responds to the consequential demand for borrowing to take care of self-employment and small business. Thus, dissimilar to other handover arrangements, it requires both entrepreneurial skill and a favourable local market. Without them, the returns to investment financed by microfinance are likely to be insignificant, and so, too, are any reductions to overall poverty. Even if the induced marginal gains from micro-borrowing are large for participants, the effects of the accrued total benefits on aggregate poverty are likely to be small for several reasons. For one, microfinance transactions are too small to exert a large impact on collective poverty. For another, in an economy with low economic growth, borrowing may only lead to reallocation of income rather than an improvement of growth (Khandker, 2005).

### **2.23 Ethics, CSR and size of the microfinance institutions**

This study highlighted a few aspects for consideration here: Micro finance and its concerns about the impact of excessive interest rates, abusive lending practices, and over-indebtedness among poor borrowers. This social agreement suggests some form of selfish behaviour (Crowther & Caliyurt 2004b) whereas self-interest means selfishness. Self-interest is central to the utilitarian perspective championed by such people as Bentham, Locke and J. S. Mill. The latter, for example, advocated as morally right the pursuit of the greatest happiness for the greatest number. Similarly, Adam Smith's free-market economics is predicated on competing self-interest. These influential ideas put the interest of the individual above the interest of the collective. Although micro finance is supposed to be a collective effort, an individual concern to become a successful entrepreneur and pay off the high interest rate is certainly a concerning factor for both nations and Bengali entrepreneurs. The central principle of social responsibility, however, is the social contract between all the stakeholders to society, which is an essential requirement of civil society. This can also be described as citizenship but for either term it is important to remember that the social responsibility needs to extend beyond present members of society. Social responsibility also requires a responsibility towards the future and towards future members of society. Incorporated within this is, of course, a duty towards the situation because of implications for other members of society both now and in the future (Crowther & Caliyurt, 2004b).

A substantial amount of literature had been focused on studying and relating CSR to mainly multi-national organisations rather than small and medium sized enterprises (for example see Murillo and Lozano, 2006; Spence, 1999; Jenkins, 2004; 2006). Thus, microfinance related organisations grew fast, mainly in developing countries. This had been attributed to the overlapping domains between business ethics and CSR, in relation to the rationale that the large enterprise usually employs as a reason for undertaking CSR strategies, or initiatives or practices as cited by authors (Carroll and Buchholtz, 2008; Epstein, 1987; Schwartz and Carroll, 2003 and Vogel, 1992). Usually large enterprise and MNCs earn more attention in CSR studies due to their large scale of operations. Developing countries like Bangladesh's stock market operations show huge room for improvement. Therefore, MFI's in Bangladeshi and other developing countries' stock market operations are very limited.

Large organisations and MNCs seem to possess more public exposure, and thus are more visible in the public eye (Jenkins, 2004). Through small and medium size organisations CSR and ethics-related issues have largely been overlooked by society for a long period of time. However, it is noteworthy to re-address SMEs as they represent the backbone of economies, the suppliers for large enterprises, along with being recipients of donation funds and aid (Jamali and Tarazi, 2012; Jamali et al., 2009). SMEs represent the majority of economic organisations; the impact of their increasing activities in CSR has a notable impact on the society. In addition, introducing modifications to the behaviours of SMEs could be much easier than altering any of the MNCs or large enterprises' behavioural patterns (Mandl, 2005). The standing of SMEs as an integral and active participant in economic activity, endorsing capacity building and development, had been long accounted for throughout literature, for their economic value, influence, refinement of entrepreneurship and innovation. Jenkins (2006) identified that the prejudice would be that literature's progression might have stressed engaging large enterprise and MNCs in CSR, and simply to scale the research down to 'fit' SMEs. As such, including the small and medium sized variance in the impending CSR study (Jamali and Mirshak, 2007). According to the microcredit regulatory authority (2016), from September 2007 to August 2015, 679 MFI's have been registered as legal supplier of micro credit and most of these institutions are small and medium in size.

Painter-Morland (2006) emphasised that the main obstacle a business organisation suffers from is the lack of faith in the importance of ethics and its intertwined embedded nature in any business decision. If such nature is reckoned by businesses, ethics would be highly valued and integrated within decision making, which would be positively reflected on businesses. Further, due to the rapid pace of change, all three parameters considered in ethical businesses or ethical decision making (i.e. MFI's decision makers, varying stakeholders as well as ethical/moral issues and values) do change across time. MFIs needs to pay attention to three main indicators i.e. stakeholder engagement, organisational integrity and stakeholder activism; addressing the earlier mentioned three parameters of ethical decision making were highlighted as ethical manifestations of CSR.

Solomon (1997, as cited in Joyner and Payne, 2002) had identified several justifications for the correlation of ethics with CSR. First, the noticeable success of organisations had led to greater expectations imposed on them from the societies they operate within. As well, the 'noblesse oblige', or in other words the advantaged groups or classes resulting from such successful organisational performance have expectations imposed upon them from their societies. Finally, as business organisations had turned into huge pillars of societies and main contributors towards societal development, more responsibilities are therefore placed on organisations that had been earlier expected from others like governments (i.e. quality of education, research, etc.). Eventually, financial performance seems sometimes to be explicitly related to ethical compliance of organisations and their undertaking CSR initiative (i.e. winning contracts, help from professionals, etc.) More information on ethics and CSR associated with the microfinance industry is based in Appendix 6.

According to Joyner and Payne, organisational ethical responsibility is a basic component in CSR, which is directly influenced by societal values, which should be MFI's main target. Again, ethical or lack of ethical practices by organisations may inevitably affects the society it operates within and the values held by its members or stakeholders in total. Lack of ethical practices seems to play some role in the micro finance industry. Thus, all these three terms are highly related, overlapping and highly affect and influence each other, *"wherein culture influences values, which influence*

*beliefs, which influence attitudes, which influence behaviours, which shapes culture, continues to form”* (Joyner and Payne, 2002, p. 301).

## 2.24 Conclusions

In this chapter, the mismatch between credit repayments and income seasonality posing a challenge for microfinance institutions (MFIs) working in developing countries has been considered. The existing literature has been explored, rhetoric and realities of microfinance related business also highlight the gap in the literature specific to the Mymensingh area. The first part of the literature review evaluated the microfinance industry in the developing world and mainly in Bangladesh, then the paper considered influential factors which contributed to the growth of the microfinance industry (MFI). Afterward, the chapter discussed the microfinance industry and its development needs, mainly in Bangladesh. Bateman and Chang (2009) claim that microfinance is not always useful and poorly established.

Microfinance plays an important role in bringing the people living below the poverty line into the main stream of the economy, and thereby participating in the process of nation-building (Amarnani and Amarnani, 2015, also Amarnani, Amarnani & Achuthan, 2010). With this perspective, significant funding is being channelled to the sector through both the private and public routes. Therefore, there is a grave need to ascertain whether these microfinance programmes are actually fulfilling their specified goals.

Furthermore, the chapter argued about modern Bangladesh, women’s empowerment, and aggressive activities of microfinance institutions of Bangladesh; also, the positive impacts of a multifaceted approach for the extreme poor in terms of increasing income, cost-effective solutions and well-being. Thus, dialectic of MFI’s performance has been created in terms of these factors of performance and it now becomes necessary to explore that dialectic in greater detail. This will be the subject of exploration in this thesis. On considering research question one, a theoretical contribution is the review of microfinance in the Bangladeshi female entrepreneurship framework that had

addressed the predominant gap in the literature. As, for example, in previous research Banerjee et al (2015) do not comment on the degree to which microfinance is significant for female entrepreneurship, especially in the Mymensingh district of Bangladesh.

## **CHAPTER 3**

### **Contextual Factors**

#### **3.1 Summary**

This chapter presents an overview of the contextual factors of the Bangladeshi microfinance business. The latter part of this chapter discusses the history of Bangladeshi people in east London, UK. These are also considered in terms of the various perspectives on the development of the microfinance industry in both countries and the structure of the financial market and culture, as well as their relationship with sustainable development. This chapter explains the development of such microfinance institutions in Bangladesh from the 1970's onwards as well as considering the main features of such institutions in terms of entrepreneurship. Social and economic issues are presented and consideration is given to who benefits the most. It is argued in this chapter that only a few main players dominate the Bangladeshi microfinance industry; these create different dimensions of performance and thereby serve the conflicting interests of different stakeholders.

#### **3.2 Introduction**

Many contextual factors affect how microfinance entrepreneurs seek finance in the UK and Bangladesh. The entrepreneurial skills of the owner have a significant impact here. A point to note is the level of confidence possessed by micro business entrepreneurs. Most of the micro business entrepreneurs in Bangladesh do not even have experience of working for and with others. Micro finance-based culture seems not to involve much in terms of education and improving entrepreneurial skills, both in Bangladesh and the UK-based Bangladeshi community. This chapter also considers several micro finance institution developments and operational aspects in west Europe, predominantly in UK-based microfinance firms. State fragility research indicates the experience of poverty is not the same across all countries. Also, the discussion is about antipoverty strategies and the fact that programmes that may work in one country do not necessarily work with the same effectiveness in more delicate state settings. Three dimensions of vulnerability are also considered with relation to the effectiveness of the micro finance

industry, such as economic vulnerabilities, social vulnerabilities and environmental vulnerabilities.

### 3.3 The 1970s

Government surveys found over 80 percent of the population in Bangladesh living in poverty in 1973–1974 (Bangladesh Bureau of Statistics 1992). Experimentation in providing credit to households considered “unbailable” by the formal financial central bank, called the “Bangladesh Bank”, originated a few years after Bangladesh’s war for independence in 1971. The independence movement gave rise to a new generation of undeveloped campaigners who were keen on contributing to the reconstruction of this post-war devastated country. The new administration and countless aid agencies that arrived on site were powerless to cope with the scale of poverty, and non-governmental organisations (NGO) emerged to meet the challenges. The early years of the NGO involvement in Bangladesh focused on relief aid and rehabilitation with an emphasis on community development. By the mid-1970s, two of the NGOs that would subsequently expand in scale, BRAC and Proshika, found that “elite capture” was a serious impediment to their development objectives. As a result, a separate focus on the poor through a “target group” approach was adopted. Moreover, an ideological debate within both these organisations began to brew, between those who favoured economic tools (credit, savings, etc.) to support poverty reduction and those who believed that social mobilisation against existing injustices would serve, and financial services were unnecessary.

Around the same time, a team of researchers at Chittagong University, led by Professor Yunus, began an action research programme that provided loans to poor households in a few villages. Borrowers were mobilised in “peer groups” composed of four to five individuals who were jointly responsible for each other’s repayments. Several of these small “peer monitoring groups” would be organised together into a larger unit which would meet weekly with the primary purpose of repaying loan instalments. The process of trial and error initially combined males and females in the same credit group, but then changed to separate gender groups. It also included “occupational groups,” but this was dropped in favour of village-based groups. The demand for loans grew rapidly and after several attempts Professor Yunus managed to get the approval and support of



the Bangladesh Bank (central bank) and other commercial banks to provide the Grameen Project. In the 1970s and 1980s, with a fundamental move away from the Keynesian model, markets came to be seen as the most efficient means of organising modern societies. In this view, government intervention is thought to do more harm than good for the market and entrepreneurial activities. Such change is supported by a great deal of empirical evidence (Boyer and Drache, 1996).

### **3.4 The 1980s**

After several attempts by NGOs in the early 80s in Bangladesh, one important model tested was the effectiveness of providing loans for group projects compared to offering loans to individuals with peer monitoring. Due to lack of infrastructure and quality monitoring, progress was quite slow. Hence, by the late 1980s, the major model became providing individual loans to a target group of poor households, with peer monitoring.

According to Zaman (2004) The Association for Social Advancement (ASA) is a classic example of this shift. Its initial emphasis was on forming “people’s organisations,” mobilised for social action against domination. It changed to target groups and then to provision of financial services in the late 1980s. ASA maintains low administration and paperwork, has decentralised most decision making to the field, and overall has a very lean operation (Choudhury, 2003).

The 1980s and early 1990s were an important period as large MFI’s learned a little more about how to manage credit operations. Non-micro finance activities were growing very fast. As for example the case of BRAC, its first major experience with a nation-wide programme came when it implemented an oral rehydration programme to combat diarrheal disease. Thirteen million women were trained to use a simple but effective rehydration solution, and BRAC staff were paid based on how many of their trainees used and retained this knowledge (Chowdhury and Cash, 1996).

### 3.5 Early to mid-1990s

The early 1990s was the period of rapid expansion of the Grameen-style micro-credit approach (Ahmed, 2003). Largely “franchising”, whereby new branches replicated the procedures and norms that succeeded in existing branches, powered the growth. It was clearly assisted by the extraordinary population density and relative ethnic, social, and cultural similarity in Bangladesh. The southeast and pockets of the northeast still have room for expansion of coverage but there is greater coverage of poor households in the central and western districts (PKSF, 2003).

### 3.6 Mid-1990s onwards

Response from the field, academic research, and international experience contributed to an increasing importance in providing diversified monetary services for dissimilar groups of families from the mid-1990s onwards.

However, it became clear that the standard Grameen model of providing microcredit with fixed repayment schedules, and standard floors and ceilings on loan sizes, was not sufficient to meet the needs of the extreme poor or the vulnerable non-poor. The Grameen model wasn't a low-cost loan.

Moreover, existing microcredit debtors also required complementary financial and non-financial services. The standard practice for MFIs until the late 1990s was to collect required weekly savings from their clients, holding the money as a *de facto* lump sum “pension,” which was returned when a client left the organisation. Access to these deposits was otherwise limited, which curtailed a potentially important source for smoothing consumption. Recognising these limitations, an increasing number of MFIs in Bangladesh have offered savings accounts and life insurance products. Non-credit services can also take the form of input supply, skills training, and marketing support for micro entrepreneurs (Jain and Moore, 2003).

The microfinance industry has made progress providing greater access to formal financial products, but micro entrepreneurs have no tools for cash flow management, inventory management, and credit management. Classroom-based financial education

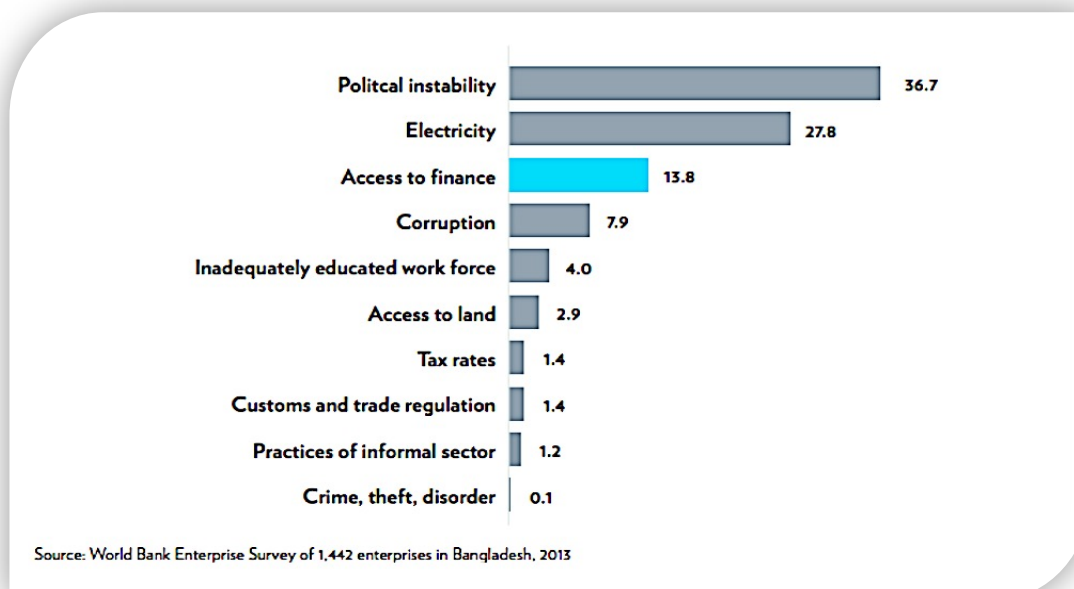
courses have traditionally been used as a way to fill the skills gap but have been recently shown to have little impact on key business outcomes such as sales and profits (McKenzie and Woodruff, 2014).

However, a complementary package to microcredit can also take the form of providing education for the children of micro entrepreneurs. Grameen bank, for instance, has a scholarship programme for secondary education for girls, and a student loan programme for tertiary education. Similarly, some MFI have community health programmes, legal literacy training, and information on how to access local resources. Moreover, evaluation studies pointed out that extremely poor households were struggling to benefit from the standard microcredit model, even if they joined the programmes.

There were a number of factors that kept the extreme poor from borrowing or from benefiting from loans if they obtained them. Minimum loan floors for a first loan sometimes exceeded what clients perceived they needed. Fixed weekly loan repayments could be difficult to commit to in the light of seasonal income, as for example seasonal crops. Other members of peer-monitored groups sometimes might not wish to guarantee loans for extremely poor households. Residing in remote or depressed areas can also complicate access. Programmes have been developed to make these constraints more manageable. ASA's Flexible Loan Programme introduced more flexible repayment schedules. Minimum loan floors for first loans were lowered so that amounts as small as 500 taka (US \$9) could be borrowed. Grameen's programme offers zero interest loans to beggars. The Resource Integration Centre's programme specialises in offering loans specifically to the elderly poor, a vulnerable group not previously served. ASA has targeted remote areas, offering services through its cost-effective mini-branch system, and Integrated Development Foundations work in the Chittagong Hill Tracts (Zaman, 2004).

Figure 3.1 below clearly shows that access to finance for enterprise and political instability in Bangladesh are the main issues, according to a World Bank Survey of 1,442 enterprises in Bangladesh in 2013. This again enabled the microfinance industry to grow further, as it targets mainly poor and vulnerable women in order to get high return on investment..





**Figure 3.1: Challenges facing enterprises in Bangladesh (% of respondents)**



Source: World Bank Group (2013)

**Table 3.1: Constraints to investor and enterprise support in Bangladesh**

| Investor and Enterprise support | Key components          | Key ecosystem constraints in Bangladesh   | Severity of constraint |
|---------------------------------|-------------------------|---|------------------------|
|                                 | <b>Investor support</b> | <p>3. The regulatory process to set up and register a fund is complicated and difficult to navigate with little support available</p> <p>4. Few organisations exist that support international investors with their pipeline development —e.g. deal - sourcing or matchmaking is not a commonly available service (this is less of a constraint for domestic investors as their networks tend to be more effective for pipeline development)</p> <p>5. Similarly, the dearth of providers of valuation services based on modern</p> |                        |

|  |                           |  |   |
|--|---------------------------|--|---|
|  |                           | <p>methods (e.g. projected cash flows rather than book value or net present value) means both the initial structuring and exiting of equity investments is difficult</p> <p>6. On the fund management side, most are first time fund managers, though many have worked in banking / financial services (and several with Grameen/BRAC networks) and some have international experience, but in general, fund management experience is low, and exposure to international learnings and best practices are limited so there is some need for training and networking to build this capacity for fund managers in the impact investing space</p> <p>7. Limited complexity in impact measurement, as many funds are new and many managers are new to impact investing</p> |    |
|  | <b>Enterprise support</b> | <p>8. In addition to access to finance challenges, entrepreneurs face a range of other constraints to growth including their own business mindset, skills and knowledge, as well as access to information and networks.</p> <p>9. Few organisations currently exist to support/address these needs in a comprehensive, easy-to-access way, and those that exist are relatively new and have minimal reach</p> <p>10. Key areas of need include:</p> <ul style="list-style-type: none"> <li>» Aggregatilon/networking/knowledge sharing amongst entrepreneurs</li> <li>» Training in key business management functions—both strategic and operational</li> <li>» Linkage to investors or platforms for accessing investor information</li> </ul>                        |  |
| <p>Least severe </p> <p>Most severe </p> |                           |  |   |

Source: Dallberg (2015)

Table 3.1 above indicates the major problems of Bangladeshi enterprises. Data reflects entrepreneurs have huge variations of knowledge and skill deficiencies, also not enough access to information and networks. There is some need for training and networking to build capacity for fund management. Bangladesh is facing huge problems, both in terms of operation and strategic level, in large, medium and small enterprises. Therefore, this table reflects the reason for more emphasis on development of microfinance activities in Bangladesh, both in terms of demand and supply side.

**Table 3.2: Roles, mandate, and perceptions of the three key regulators in Bangladesh**

|                                | Role / mandate  | Investor perceptions / challenges   |
|--------------------------------|---|---|
| Board of Investment Bangladesh | <ul style="list-style-type: none"> <li>Established in 1989 by the Investment Board Act</li> <li>Mission to encourage private sector investment, to identify constraints to investment, and provide necessary facilities and assistance</li> <li>Services include “investment promotion and facilitation covering support, suggestion and aftercare support to the investors.”</li> </ul>                            | <ul style="list-style-type: none"> <li>Perception that low effectiveness among bureaucrats reduces utility in practice</li> </ul>   |
| Bangladesh Bank                | <ul style="list-style-type: none"> <li>Chief monetary and financial system regulator established under Bangladesh Bank Order 1972</li> <li>Key functions include formulation and implementation of monetary/ credit policies; supervision and regulation of banks and NBFIs; issuance of currency; maintaining deposit insurance scheme; money laundering prevention; acting as banker to the government</li> </ul> | <ul style="list-style-type: none"> <li>Aware of gaps in policy and overly restrictive regulations</li> <li>Perception that the Bank is willing to address gaps and loosen policy, but that process will take some time (one year at least)</li> </ul> |

|                                    |  |  |
|------------------------------------|--|--|
| Securities and Exchange Commission | <ul style="list-style-type: none"> <li>• Capital market regulator; mandated under Securities and Exchange Commission Act 1993</li> <li>• Key functions include: registration/regulation of capital market investors and intermediaries; prevention of fraudulent/unfair trade practices; promoting investor and intermediary training; undertaking investigations/inquiries as needed; conducting research and publishing information</li> </ul> | <ul style="list-style-type: none"> <li>• Perception that SEC supports private sector development and is in favour of regulatory changes to improve the investment climate</li> </ul> |
|------------------------------------|--|--|

Source: Dallberg (2015)

Table 3.2 above shows three regulators. Bangladesh Bank is the main one directly involved with the microfinance industry. Although Bangladesh Bank rejected the proposal of the Grameen Bank in the early 1970's, later on Muhammad Yunus managed to get permission from Bangladesh Central Bank to launch his venture. After suffering from numerous irregularities, the Microcredit Regulatory Authority (MRA) was established by the Government of the People's Republic of Bangladesh under the "Microcredit Regulatory Authority Act 2006". Microcredit Regulatory Authority is the central body to monitor and supervise microfinance operations of NGOs-MFIs. In theory the MRA is supposed to monitor the MFI's operations and promote micro finance in a sustainable way (Microcredit Regulatory Authority, 2006).

Table 3.3 shows the true picture of Bangladesh in terms of its debt situation. Despite the hype of the finance sector, every year the amount of debt is increasing. In 2000 long-term external debt was only \$14,985 millions, and in the year 2013 debt has increased to \$24,850 millions. If the finance industry is doing any good, then why are more people in debt?

Table 3.3: Summary of debt

**BANGLADESH**

(US\$ million, unless otherwise indicated)

|   | 2000   | 2005   | 2008   | 2009   | 2010    | 2011    | 2012    | 2013    |
|---|--------|--------|--------|--------|---------|---------|---------|---------|
| <b>Summary external debt data</b>         |        |        |        |        |         |         |         |         |
| External debt stocks                      | 15,596 | 18,449 | 22,952 | 24,619 | 25,752  | 27,326  | 26,188  | 27,804  |
| Long-term external debt                   | 14,985 | 17,385 | 20,300 | 21,210 | 21,400  | 22,350  | 23,251  | 24,850  |
| Short-term external debt                  | 334    | 688    | 1,894  | 1,934  | 2,949   | 3,705   | 1,724   | 1,458   |
| interest arrears on long-term             | 0      | 16     | 1      | 1      | 2       | 2       | 2       | 2       |
| Use of IMF credit                         | 277    | 376    | 758    | 1,475  | 1,403   | 1,271   | 1,213   | 1,496   |
| <b>Long-term external debt</b>            |        |        |        |        |         |         |         |         |
| Debt outstanding and disbursed            | 14,985 | 17,385 | 20,300 | 21,210 | 21,400  | 22,350  | 23,251  | 24,850  |
| Public and publicly guaranteed            | 14,985 | 17,385 | 20,300 | 21,210 | 21,400  | 22,350  | 23,251  | 24,850  |
| Official creditors                        | 14,809 | 17,209 | 20,237 | 21,160 | 21,367  | 22,328  | 23,237  | 24,838  |
| Private creditors                         | 176    | 176    | 63     | 50     | 33      | 22      | 13      | 12      |
| of which: Bonds                           | 0      | 0      | 0      | 0      | 0       | 0       | 0       | 0       |
| Private nonguaranteed                     | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| of which: Bonds                           | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| Disbursements                             | 861    | 878    | 1,732  | 1,499  | 982     | 1,028   | 2,091   | 3,157   |
| Public and publicly guaranteed            | 861    | 878    | 1,732  | 1,499  | 982     | 1,028   | 2,091   | 3,157   |
| Official creditors                        | 794    | 878    | 1,732  | 1,499  | 982     | 1,028   | 2,091   | 3,157   |
| Private creditors                         | 67     | 0      | 0      | 0      | 0       | 0       | 0       | 0       |
| of which: Bonds                           | 0      | 0      | 0      | 0      | 0       | 0       | 0       | 0       |
| Private nonguaranteed                     | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| of which: Bonds                           | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| Principal repayments                      | 487    | 566    | 632    | 703    | 743     | 1,050   | 988     | 1,232   |
| Public and publicly guaranteed            | 487    | 566    | 632    | 703    | 743     | 1,050   | 988     | 1,232   |
| Official creditors                        | 465    | 551    | 612    | 691    | 732     | 1,039   | 980     | 1,230   |
| Private creditors                         | 22     | 16     | 20     | 13     | 11      | 11      | 9       | 2       |
| of which: Bonds                           | 0      | 0      | 0      | 0      | 0       | 0       | 0       | 0       |
| Private nonguaranteed                     | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| of which: Bonds                           | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| Interest payments                         | 165    | 197    | 203    | 197    | 201     | 258     | 296     | 253     |
| Public and publicly guaranteed            | 165    | 197    | 203    | 197    | 201     | 258     | 296     | 253     |
| Official creditors                        | 156    | 195    | 200    | 196    | 199     | 257     | 295     | 252     |
| Private creditors                         | 9      | 2      | 2      | 1      | 2       | 1       | 1       | 1       |
| of which: Bonds                           | 0      | 0      | 0      | 0      | 0       | 0       | 0       | 0       |
| Private nonguaranteed                     | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| of which: Bonds                           | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| <b>Net financial flows</b>                |        |        |        |        |         |         |         |         |
| Net debt inflows                          | 368    | 370    | 1,826  | 812    | 1,207   | 603     | -938    | 1,938   |
| Official creditors (incl. IMF)            | 244    | 425    | 1,319  | 785    | 204     | -142    | 1,052   | 2,205   |
| Private creditors                         | 125    | -56    | 507    | 27     | 1,003   | 745     | -1,990  | -268    |
| Long-term                                 | 45     | -16    | -20    | -13    | -11     | -11     | -9      | -2      |
| Public and publicly guaranteed            | 45     | -16    | -20    | -13    | -11     | -11     | -9      | -2      |
| Private nonguaranteed                     | ..     | ..     | ..     | ..     | ..      | ..      | ..      | ..      |
| Short-term                                | 80     | -40    | 527    | 40     | 1,014   | 756     | -1,981  | -266    |
| <b>Net equity inflows</b>                 |        |        |        |        |         |         |         |         |
| Foreign direct investment                 | 280    | 626    | 980    | 754    | 805     | 961     | 1,202   | 1,258   |
| Portfolio equity                          | 1      | 20     | -130   | -104   | -104    | 132     | 97      | 270     |
| <b>Major economic aggregates</b>          |        |        |        |        |         |         |         |         |
| Gross national income (GNI)               | 48,857 | 63,355 | 86,607 | 97,482 | 109,698 | 122,091 | 127,320 | 142,929 |
| Exports of goods, services & prim. income | 7,293  | 11,322 | 17,692 | 17,622 | 23,756  | 28,458  | 28,249  | 31,716  |
| Imports of goods, services & prim. income | 10,018 | 15,970 | 26,250 | 24,984 | 34,315  | 41,294  | 39,716  | 43,788  |
| Primary income on FDI                     | 149    | 669    | 1,028  | 1,083  | 1,258   | 1,365   | 1,789   | 1,951   |
| Personal transfers & comp. of employees   | 1,968  | 4,642  | 9,223  | 10,739 | 11,282  | 12,960  | 14,236  | 13,857  |
| International reserves                    | 1,486  | 2,767  | 5,689  | 10,219 | 10,564  | 8,510   | 12,031  | 17,564  |
| <b>Ratios</b>                             |        |        |        |        |         |         |         |         |
| External debt stocks to exports (%)       | 213.9  | 162.9  | 129.7  | 139.7  | 108.4   | 96.0    | 92.7    | 87.7    |
| External debt stocks to GNI (%)           | 31.9   | 29.1   | 26.5   | 25.3   | 23.5    | 22.4    | 20.6    | 19.5    |
| Debt service to exports (%)               | 10.5   | 7.1    | 5.0    | 5.4    | 4.3     | 5.2     | 5.3     | 5.2     |
| Reserves to external debt stocks (%)      | 9.5    | 15.0   | 24.8   | 41.5   | 41.0    | 31.1    | 45.9    | 63.2    |

Notes:

Long-term public and publicly guaranteed debt for 2013 are World Bank staff estimates based on the original terms of the loans. Short-term debt before 2012 is based on data from the BIS.

Source: The World Bank (2015)



**Figure 3.2: The inflation rate in Bangladesh**

**Source:** Trading Economics (2016)

In Figure 3.2, data suggests fluctuation of the inflation rate in Bangladesh as high as 12.7 to as low as -.02. In reality, primary data suggests the inflation rate is significantly higher. In Bangladesh, due to fluctuation of the inflation rate, the cost of living is rising regularly, mainly in big cities. On average people need to earn much more in order to have some sort of standard of living. In the past, only men used to look for a different source of income in Bangladesh. Due to the increasing living costs and the introduction of microfinance, the women have been encouraged to seek income to contribute to meeting their household needs. In developing countries like Bangladesh, where the majority of the population is on a low- income, people have difficulty in meeting the basic needs of life. The basic necessities of life include the need for food, shelter and clothing (Trading Economics, 2016).

According to Firdausy and Mulya (1999) the factors that influence the number of women entrepreneurs are as follows: economic factors (financial), social background factors and cultural factors. Factors that influence indirectly the number of women entrepreneurs are: government policy, social, environmental stability factor, and the national economic conditions in the country. Components of these two factors interact with each other in influencing a woman's desire to become entrepreneurs and to persist as an entrepreneur. However, according to Creevey (1996), the most dominant of these factors is the factor of social and cultural background, which include; religion, formal education and skill level, age, ethnicity and habits, marital status, and geographic location of the area.

Religion plays a very important role in Bangladesh and also the Bangladeshi community in London. An important point to note from empirical research is that no Bangladeshi women small-scale entrepreneurs were found in the East London area. However, 98.7% women are involved in micro credit-based small-scale business even though they come from the same social and cultural backgrounds i.e. formal education, skill level, age, ethnicity, marital status. Only geographical location and economic factors are different.

Due to basic needs and poverty in Bangladesh, access to banks or financial institutions is very important in supporting the development of women entrepreneurs. Following Table 3.4, the Gender Equality Index (GEI) is used to measure gender equality of women with men through three aspects that are education, economic participation and empowerment. Using the index scale between 0-100, the lower the index reflects the difference or inequality of women to men, and when the index reaches 100 then there is no difference between women and men in education, economic participation and empowerment. GEI in the majority of Asian countries has increased; in 10 countries out of 16 countries in Asia, 72% had a GEI higher than the previous year. The GEI index is another indication that the rate of women's participation in entrepreneurial activities in Bangladesh has made some improvements in general, but in terms of microfinance-based, it shows a significant improvement.

**Table 3.4: Gender equality index for economic participation**

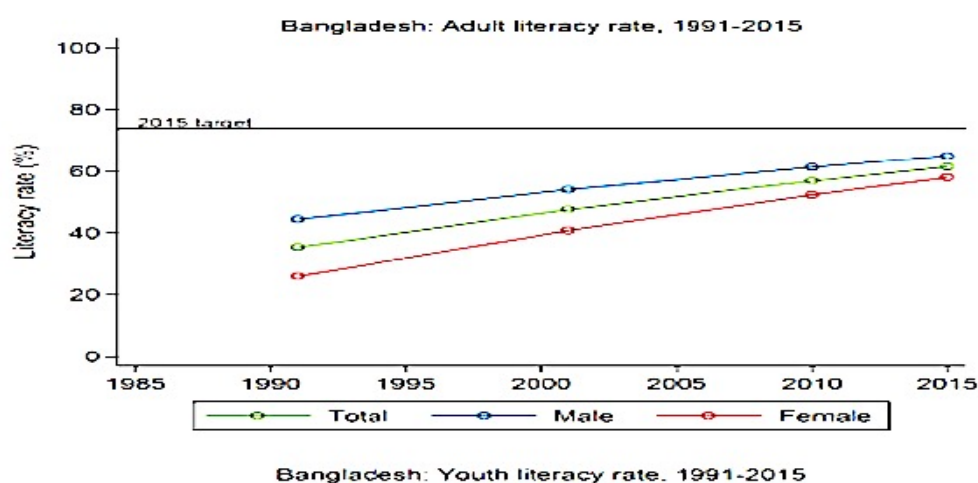
| No | Country           | Year 2008                  | Year 2012                  | Growth Rate |
|----|-------------------|----------------------------|----------------------------|-------------|
|    |                   | GEI Economic Participation | GEI Economic Participation |             |
| 1  | Philippines       | 63.5                       | 67                         | 3.5%        |
| 2  | Hong Kong         | 66.0                       | 0                          | 0%          |
| 3  | Viet Nam          | 81.2                       | 75                         | -6.2%       |
| 4  | Thailand          | 71.7                       | 77                         | 5.3%        |
| 5  | China             | 73.3                       | 76                         | 2.7%        |
| 6  | Singapore         | 58.6                       | 71                         | 12.4%       |
| 7  | Brunei Darussalam | 48.4                       | 78                         | 29.6%       |
| 8  | Cambodia          | 83.5                       | 73                         | -10.5%      |
| 9  | Malaysia          | 46.6                       | 40                         | -6.6%       |
| 10 | Korea, Rep.       | 53.9                       | 68                         | 14.1%       |
| 11 | Sri Lanka         | 42.9                       | 58                         | 15.1%       |

|    |            |      |    |        |
|----|------------|------|----|--------|
| 12 | Indonesia  | 52.8 | 57 | 4.2%   |
| 13 | Bangladesh | 53.5 | 65 | 11.5%  |
| 14 | Nepal      | 57.0 | 56 | -1%    |
| 15 | Pakistan   | 34.2 | 19 | -15.2% |
| 16 | India      | 36.6 | 33 | -3.6%  |

Source: Social Watch (2012)

Figure 3.3 shows a significant improvement with regards to youth literacy rate. The literacy rate had improved to 62 per cent for both males and females in 2015 compared to 1991 when it was only 41 per cent. It's vital for micro finance users to have some sort of literacy as they need to know how much loan they are borrowing and paying back. In the past, most of the borrowers didn't know what was written in the book where field representatives asked borrowers to give a finger print as signature.

**Figure 3.3: Adult literacy rate in Bangladesh**

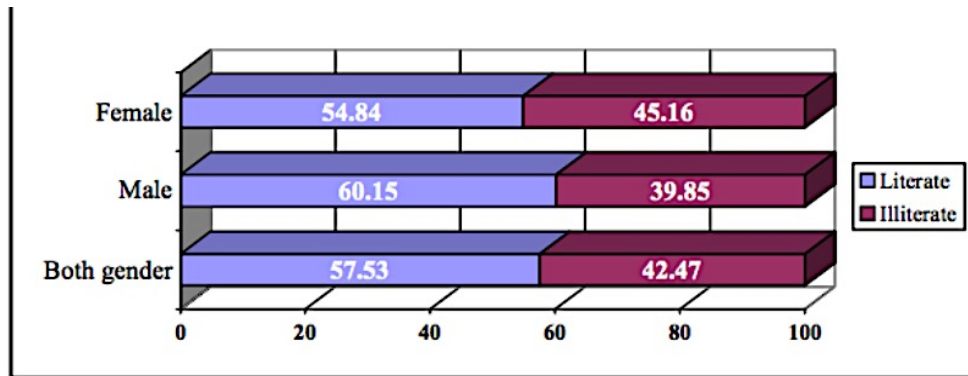


Source: Country Economy (2015)

Figure 3.3 more importantly illustrates the huge improvement of the literacy rate, mainly female, which was 21 per cent in 1991. This change will definitely help users of microfinance to track and pay attention to their repayment amounts. Poor literacy rate could lead to inadequate money management. In Bangladesh, literacy rates available from different surveys and studies are significantly different. This is mainly due to the fact that the definition of a literate person is not uniform and standardised, and most of the surveys and studies are not based on a competency test.

Following a survey, Figure 3.4 shows that literacy is defined by the ability of writing a simple letter for communication, which shows about 45% of females were illiterate in 2010.

**Figure 3.4: Literacy rate of population by age 7 years or over by gender, 2010**



Source: Bangladesh Bureau of Statistics (2011)

Compared to the year 1991, 2010 shows significant improvement and this gave entrepreneurs a slightly better way to deal with business communication but not necessarily loan management. However, the above data shows 57.53% population (aged 7 years and over) of Bangladesh are literate and that they can read and write, but this is a long way to achieving close to 100 percent. *“Use of literacy skill in everyday life through reading and writing habits are not encouraging, which designates that even the literate persons do not use their skills for further improving their skill through day to day activities”* (Bangladesh Bureau of Statistics, 2011)

In Bangladesh, women entrepreneurs have a dual role in the household, which is not only a profitable income seeker supporting the household economy but also caring for children and managing the household finances. In UK Bangladeshi married women are mainly involved with caring for children and managing the household actives. They are not involved in business activities, although a good proportion of Bangladeshi women tend to work for other firms.

In Bangladesh women entrepreneurs have a greater impact on their families than men's role as an entrepreneur. Therefore, their role in terms of social and economic aspects should be treated as high as men.

**Table 3.5: Women entrepreneurs in various sectors in Bangladesh areas**

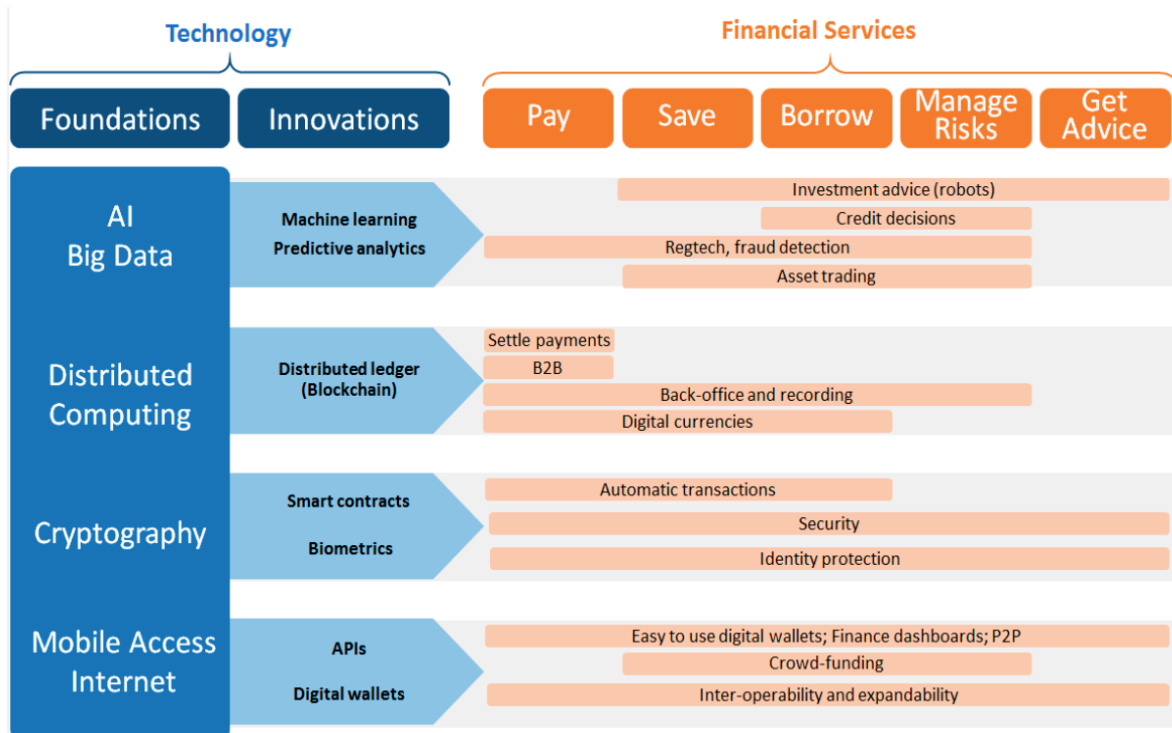
| Sectors  |    | Divisions |          |            |        |         |        |       |
|--|----|-----------|----------|------------|--------|---------|--------|-------|
|  |    | Dhaka     | Rajshahi | Chittagong | Khulna | Barisal | Sylhet | Total |
| Electronics and Electrical   | No | 5         | 5        |            |        |         |        | 10    |
|  | %  | 1.6%      | 2.1%     |            |        |         |        | 1.0%  |
| Software Development   | No | 1         |          | 1          | 6      |         |        | 8     |
|  | %  | .3%       |          | .6%        | 4.0%   |         |        | .8%   |
| Light Engineering and Metal-working                                      | No | 2         | 1        | 2          | 1      |         |        | 6     |
|  | %  | .6%       | .4%      | 1.1%       | .7%    |         |        | .6%   |
| Agro production /Agribusiness/Plantation/Specialist farm/ Tissue Culture | No | 5         | 23       | 27         | 30     | 22      | 3      | 110   |
|  | %  | 1.6%      | 9.7%     | 15.1%      | 20.1%  | 24.7%   | 5.1%   | 10.8% |
| Leather Making and Leather Goods   | No | 1         | 1        |            |        |         | 1      | 3     |
|  | %  | .3%       | .4%      |            |        |         | 1.7%   | .3%   |
| Knitwear and Ready Made Garments   | No | 23        | 14       | 19         | 51     | 7       | 18     | 132   |
|  | %  | 7.5%      | 5.9%     | 10.6%      | 34.2%  | 7.9%    | 30.5%  | 12.9% |
| Plastic and other synthetics   | No |           | 4        | 1          |        | 1       |        | 6     |
|  | %  |           | 1.7%     | .6%        |        | 1.1%    |        | .6%   |
| Healthcare & diagnostics   | No | 9         | 9        | 12         | 1      | 3       | 1      | 35    |
|  | %  | 2.9%      | 3.8%     | 6.7%       | .7%    | 3.4%    | 1.7%   | 3.4%  |
| Educational services   | No | 8         | 8        | 3          | 7      | 1       |        | 27    |
|  | %  | 2.6%      | 3.4%     | 1.7%       | 4.7%   | 1.1%    |        | 2.6%  |
| Pharmaceuticals/cosmetics/toiletries                                     | No | 19        | 22       | 18         |        |         | 1      | 60    |
|  | %  | 6.2%      | 9.3%     | 10.1%      |        |         | 1.7%   | 5.9%  |
| Designing, Aesthetically-challenging, Personal Wear and effect           | No | 72        | 71       | 28         | 61     | 29      | 23     | 284   |
|  | %  | 23.4%     | 30.1%    | 15.6%      | 40.9%  | 32.6%   | 39.0%  | 27.8% |
| Others   | No | 188       | 106      | 82         | 41     | 42      | 18     | 477   |
|  | %  | 61.0%     | 44.9%    | 45.8%      | 27.5%  | 47.2%   | 30.5%  | 46.8% |
| Total  |    | 308       | 236      | 179        | 149    | 89      | 59     | 1020  |

Source: MIDAS (2009)

Table 3.5 shows women in Bangladesh are mainly involved in agriculture, knitwear & ready-made garments, designing, personal wear and effects-related business activities. However most of these businesses are financed by MFIs. Clearly microfinance

institutions have targeted well these vulnerable and needy women in Bangladesh in hard and low paid jobs.

**Figure 3.5: Major technologies transforming financial services**



Source: He et al. (2017)

As demonstrated in Figure 3.5, the last decade has witnessed the quick expansion of a broad range of technological innovations. These have aided advancements in essential and imperative technologies, and are giving progress to new applications in all functions of finance, from making payments, to borrowing, to saving, getting financial assistance, and managing risks. Artificial intelligence and big data capture are helping machines to predict behaviours and prices and related applications, and can automate credit approvals and assistance, help to understand regulatory compliance and fraud detections, and automate the trading of financial assets. The potential exists to transform payment and securities settlement as well as back-office functions by considerably cutting costs, permitting direct translation by side-stepping mediators (He et al., 2017).

Moreover, progress in cryptography have facilitated a variety of applications and have combined with sensing technologies and biometrics to create better robust security systems. Application Programming Interfaces (APIs), mobile access and the internet have been transformational as technological progress to be shared directly with billions of individual consumers whose mobile phone are now portals for accessing a full range of financial services. This permits decentralisation and opening the door to direct person-to-person transactions (P2P), and to the direct funding of firms (crowd-funding). More importantly, it has significant implications also for financial inclusion by permitting the consumer with no collateral (and or no bank account) in the developing countries to access financial services for the first time (He et al.,2017).

In Bangladesh, many MFIs facilitate on-boarding through smartphones and tabs. ASA, one of the leading microfinance providers of Bangladesh, successfully piloted a mobile tab program between late 2015 and 2016 to digitise its popular operations (PwC, 2017).

**Table 3.6: Bangladesh & macro-economic outlook indicators**

|   | (annual % change unless indicated otherwise) |      |      |        |        |        |
|---|--|------|------|--------|--------|--------|
|   | 2014   | 2015 | 2016 | 2017 f | 2018 f | 2019 f |
| <b>Real GDP growth, at constant market prices</b> | 6.1  | 6.6  | 7.1  | 6.8    | 6.4    | 6.7    |
| Private Consumption                               | 4.0  | 5.8  | 3.0  | 4.0    | 5.0    | 5.6    |
| Government Consumption                            | 7.9  | 8.8  | 8.4  | 10.2   | 9.6    | 8.9    |
| Gross Fixed Capital Investment                    | 9.9  | 7.1  | 8.9  | 12.0   | 11.1   | 11.0   |
| Exports, Goods and Services                       | 3.2  | -2.8 | 2.2  | 5.0    | 6.0    | 6.5    |
| Imports, Goods and Services                       | 1.2  | 3.2  | -7.1 | 6.0    | 10.5   | 11.5   |
| <b>Real GDP growth, at constant factor prices</b> | 6.1  | 6.5  | 7.2  | 6.7    | 6.6    | 6.7    |
| Agriculture                                       | 4.4  | 3.3  | 2.8  | 4.1    | 2.5    | 3.3    |
| Industry  | 8.2  | 9.7  | 11.1 | 8.9    | 8.3    | 8.9    |
| Services  | 5.6  | 5.8  | 6.3  | 6.0    | 6.9    | 6.4    |
| <b>Inflation (Consumer Price Index)</b>           | 7.3  | 6.4  | 5.9  | 5.6    | 6.3    | 6.3    |
| <b>Current Account Balance (% of GDP)</b>         | 0.8  | 1.5  | 1.7  | 0.2    | -0.3   | -0.6   |
| <b>Financial and Capital Account (% of GDP)</b>   | 1.9  | 1.2  | 0.9  | 0.6    | 0.5    | 0.2    |
| Net Foreign Direct Investment (% of GDP)          | 0.8  | 0.9  | 0.9  | 1.1    | 0.9    | 1.0    |
| <b>Fiscal Balance (% of GDP)</b>                  | -3.5   | -3.3 | -3.1 | -4.0   | -3.5   | -3.7   |
| <b>Debt (% of GDP)</b>                            | 31.9   | 31.5 | 30.6 | 30.6   | 30.0   | 29.6   |
| <b>Primary Balance (% of GDP)</b>                 | -1.5   | -1.5 | -1.4 | -2.2   | -1.6   | -1.8   |

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice, and Poverty Global Practice.

Notes: e = estimate, f = forecast.

(a) Calculations based on SARMD harmonization, using 2005-HIES and 2010-HIES.

(b) Projection using point-to-point elasticity (2005-2010)

with pass-through = 0.87 based on GDP per capita constant PPP.

(c) Projections are from 2017 to 2019.

Source: The World Bank (2017)

As illustrated in Table 3.6, Bangladesh and its macroeconomic outlook shows positive in terms of private and government consumption. Consumption growth is expected to pick up in the financial year 2018 and 2019, supported by higher public-sector benefit payments as well as continued ready access to consumer credit.

### **3.7 Market-based approaches**

Market-based approaches such as entrepreneurship and bottom of the pyramid ventures are a reflection of particular rationalities that are based on ideological assumptions of individualism and choice that are sometimes incompatible in communities characterised by sharing, reciprocity, kinship ties and collectivism (Adler and Kwon, 2002; Ansari et al., 2012). Moreover, bottom of the pyramid approaches to poverty alleviation lack sufficient theoretical development and empirical support. Opponents have questioned the role of business in poverty alleviation, arguing that bottom of the pyramid approaches continue to be informed by win-win assumptions that privileged business, rather than enhance social welfare of bottom of the pyramid communities (Karnani, 2007), show inadequate power relations (Arora and Romijn, 2012) and serve to personalise the economic sphere by supporting solely market-based measures to alleviate poverty (Banerjee, 2008). Numerous research indicates that market-based measures did made some progress in terms of improving the number of in an individualistic society; however, a very little progress on social life and work-life balance. This research will try to explore whether market-based approaches are any good for alleviating poverty.

### **3.8 Economic, social and environmental vulnerabilities**

Banerjee and Jackson's (2016) investigations indicate that the method of distribution and use of microfinance in their research sites, instead of alleviating poverty, actually served to worsen poverty and increase susceptibilities rather than create empowerment for the majority of borrowers. Three dimensions of vulnerability emerged from the data: economic, social and environmental vulnerabilities.



### *3.8.1 Economic vulnerability*

According to Banerjee and Jackson (2016) in economic vulnerability one of the indicators of success for microfinance operations is its availability and reach. However, users of micro finance had little success in escaping from poverty – in fact they found increasing levels of indebtedness as well as loss of assets owing to the inability of borrowers to repay loans. Poor people are going without nourishment in order to pay back microloans (Hammill et al., 2008). Banerjee and Jackson (2016) also find out that microfinance loans, while helping to smooth income and consumption, can worsen rather than reduce susceptibility because they increase the debt burden of individuals and families. From their observation and discussion, it was apparent that heads of households (typically males) were under constant pressure and stress to produce enough food for the family. The farmers' frequent failure to do so gave rise to feelings of vulnerability and powerlessness. The no collateral (or social collateral) policy of microfinance, often signalled as its most innovative aspect, had a gloomier side when it came to inability to pay: in many cases indebted farmers had to sell off their land to pay back the loans, exacerbating already high levels of vulnerability.

### *3.8.2 Social vulnerability*

According to Banerjee and Jackson (2016) the high levels of apparent risk and vulnerability in the communities they studied were significant in shaping their social relations and the solidarity circles within extended family groups. Solidarity circles consisting of family, friends and acquaintances were an essential asset in trade with poverty. This unity was the 'glue' that has held these close-knit family groups together and helped them overcome adverse situations, particularly when microfinance debt collectors started putting pressure on family members for repayment. A participant in one of the male focus groups, describing a group of 29 microfinance borrowers, stated: Sometimes those 29 members give money from their own pocket to pay the instalment of (a family member). When (the family member) sees 29 other people are paying the money for him, then he becomes liable, or under some kind of obligation. Now the loan is not to MFI, the loan is to 29 individuals.

Banerjee and Jackson's (2016) findings also indicate that microfinance heightened feelings of social vulnerability through the processes of surveillance, disempowerment and shaming. Microfinance novelties of 'social security' and 'solidarity circles', while ensuring high repayment rates, had harmful social consequences. There was increased surveillance within and between groups of borrowers leading to a slow erosion of trust and social cohesion, a key component of social capital. Women borrowers, fearing default by a group member, engaged in surveillance of member behaviour after a loan was taken and, since family members were also involved, the entire community became a mechanism of surveillance, leading to conflicts and discord. Their findings also indicate that microfinance did little in terms of promoting women's empowerment and enhancing social welfare. The accessibility of microfinance and the targeting of women as potential borrowers are changing old-style socio-cultural norms where younger women are making their own choices to borrow money, and breaking purdah rules in order to attend meetings with co-borrowers and microfinance providers. While this is a positive outcome, such 'empowerment' almost always leads to more obligation and this increased levels of susceptibility.

### *3.8.3 Environmental vulnerability*

According to Banerjee and Jackson's (2016) findings, certain regions in Bangladesh, like much of the rest of the country, is frequently affected by natural disasters such as annual floods, river erosion and cyclones. Farmers are experiencing shorter planting and harvesting cycles as a result of frequent floods. Their area of was heavily promoted by the MFIs in the region and several farmers took out additional loans from microfinance providers in an attempt to grow maize to generate income. According to respondents, the loans granted by the MFIs for growing maize were sometimes contingent on the purchase of maize seeds. NGOs offer incentives of new loans to female borrowers if they trial maize and buy the maize seed from the NGO.

*“A female member of the household who had taken out a micro loan so that her husband could switch to maize told us: I requested the NGOs to give me a 20,000 taka loan last year but they did not. This year they saw my son grow maize and see maize stocked in my premises, now they are happy to give me a loan. The NGOs will give more money if you grow maize. Even the NGOs have their own maize seeds. My in-laws told me that*

*NGOs give high amount of loan if their seed is grown*” Banerjee and Jackson (2016, p.18).

Banerjee and Jackson’s (2016) findings also indicate that traditional farming practices, barter exchange and traditional forms of financial dealing in the villages are being progressively confronted by attempts of large farmers to grow maize for profit. Crop failure is common because farmers are not provided with training for essential farming techniques, and/or the weather conditions are generally inappropriate. Many community members are borrowing from NGOs and relatives beyond their capacity to repay, hoping to use their maize crop profits to pay off the loans. Some farmers expressed concern that the farming practices many have adopted in order to farm cash crops of maize are unsustainable in the longer term because they reduce nutrients from the soil and also require increasing amounts of costly fertiliser each season. NGOs even offer fertiliser for sale to support maize cultivation. For instance, one main player of the microfinance institution called BRAC owns two seed production plants and dominates the hybrid seed market in Bangladesh (Kelly, 2012). Clearly pressures from climate change, droughts and floods are part of a larger ecological system.

According to Banerjee and Jackson (2016, p.23) *“the longer-term consequences of increasing debt burdens and the economic, social and environmental vulnerabilities that we identified”*, slight thought is being given by MFIs to longer-term consequences about how the credits will be reimbursed.

Although many researchers argue that poverty and the bad economic situation is one of the main influential factors for the growth of the microfinance industry, The MFIs in Bangladesh just provide cash to poor people in Bangladesh for more profit without having a proper strategic plan.

### 3.9 History of Bangladeshi people in East London, UK

Nowadays a significant number of Bangladeshi people live in Tower Hamlets Borough in London. According to Forman (1989) between 1951 and 1981 the population of Tower Hamlets fell from 230,000 to 140,000. At that point in time most of the working age people left and mainly an ageing population was living in the Tower Hamlets area. The main aim was to provide four acres of open space per 1000 citizens in order to considerably reduce housing density. Due to lack of open space, therefore, the main solution was to decentralise the population to estates outside London and New Town developments were built specially for this purpose. At the same time as working class East London-based people relocated from inner London to outside London, the London docks were also closing down. At the same period as regionalisation and the decline then regeneration of the dock zone were taking place, the East End started to receive an influx of Bangladeshi immigrants. Between the 1970s and 1980 the number of Bangladeshi immigrants increased considerably (Llamas & Watt et al. 2009).

Due to shortage of labour after the Second World War, people from British colonies were encouraged to come to Britain, and at the end of the 1950s around two to three thousand mainly male migrant workers from Bangladesh arrived in London. By the early 1960s the community was around 5000 (Adams, 1987). The Bangladeshi people's wish was to go back to Bangladesh after buying land and a house (Anwar, 1979). However, political instability between West Pakistan (now Pakistan) and East Pakistan (now Bangladesh) led to families joining more people in London (Llamas & Watt, 2009). By the 1981 census, Tower Hamlets contained the largest group of Bangladeshis in the UK, which is one of the largest Bengali communities outside Bangladesh. By 1984, 46 per cent of all live births in Tower Hamlets were to Bangladeshi mothers (Forman 1989, cited by Llamas & Watt 2009). The dominance in terms of population was quite significant and even though the immigration laws became strict, the Bengali population grew. This was mainly due to arranged marriage, was heavily practised, and mixed-race marriages were very limited. This indicates that Bangladeshi people are quite close to their culture, religion and communities. The Bangladeshi population is the most geographically concentrated of all ethnic groups in London (Piggott, 2004). Bangladeshis were concentrated in the East End with most of them living in a single borough, Tower Hamlets. The borough has been termed, by Eade and Garbin, as the

‘centre’ of the UK Bangladeshi population where 65,553 individuals or 22.8% of the Bangladeshi population lived (Eade and Garbin, 2005).

Bangladeshis have the highest rate of income poverty out of all ethnic minorities, with 65% living below the poverty line. Even amongst working families, around 60% of Bangladeshis were in income poverty. This was much higher than the equivalent figures (between 10- 15%) for White British, White Others, Indians and Black Caribbeans (Kenway and Palmer, 2007).

UK and its history towards migrant workers also reflects that in most cases they had to go through a really tough time. They had to suffer from racism, and the language barrier created a ‘double barrel’ effect for Bangladeshi people in the UK, mainly around east London.. Therefore, a high unemployment rate was inevitable. The main sources of money were family support, Job Seekers Allowance and dealing with very small-scale business on the street-based markets. During the 1960s and 1970s, around 85% of families remitted their savings, whereas in 1995, this had decreased to 20% (Garbin 2004; Eade & Garbin 2005). Eade & Garbin suggest this is due to the cost of living in the UK, and the process of family reunion, whereby households are now established in Bangladesh. Other factors could be the new generation and or 2<sup>nd</sup> and 3<sup>rd</sup> generations of Bangladeshis who are less committed to Bangladesh in terms of material resources, maybe due to slow and bureaucratic Bangladeshi systems.

Bangladeshis have one of the lowest economic activity rates among both men (61.7 %) and women (23.4 %). The percentages of economically inactive males and females among Bangladeshis were 38.3% and 76.6% respectively (ONS 2005). According to the 2011 census, the Other White ethnic group (77%) had the highest employment rate of all ethnic groups (aged 16 to 64). This was the cause for both men (82%) and women (72%) from this group. The highest rates of economic inactivity for men were in the Chinese (40%), Arab (40%) and Gypsy or Irish Travellers (39%) ethnic groups. The highest rates for women were Arab (64%), Bangladeshi (61%), compared to 76.6% in the 2005 report. Of those in employment, men from the Pakistani (57%), Black African (54%) and Bangladeshi (53%) ethnic groups were most likely to work in low skilled jobs. For women the most likely were Gypsy or Irish Travellers(71%), Bangladeshi

(67%) and White and Black Caribbean (66%) in low skilled jobs due to language and other barriers like knowledge, culture etc.

According to the Office of National Statistics, over half (54%) of Bangladeshi men in employment worked part-time (less than 30 hours a week) and just over 1 in 10 worked 15 hours a week or less (12%). Bangladeshi (56%) and Gypsy or Irish Traveller (54%) women were the most likely to work part-time (less than 30 hours a week). Bangladeshi and Pakistani women had the highest proportion working less than 15 hours a week (23% and 20% respectively). This could be related to culture, religion and frequently giving birth to and looking after children.

### **3.10 Microfinance models in Western Europe**

The microfinance sector has grown quickly over the last 20 years. Consequently, there are different models of microfinance institutions all over the world, such as: solidarity group, Grameen model, individual model and village model. European countries have more in common, such as: culture, economics and political aspects. According to the report published by the European Investment Fund in 2009, there are four main types of microfinance institutions in Western Europe:

A) Microfinance with the influence of NGO: they provide business support. For example: AIDE. This French institution was created in 1998. AIDE was mainly influence by the Grameen bank model. Obviously, it took several years to implement the Grameen model in France. Maria Nowak analysed several methods in order to adapt the model to the social-cultural context of France. Nevertheless, nowadays AIDE is a well-known microfinance institution in France. It is a successful organisation, shown by the data in 2011: AIDE had created 12,261 microcredits with a total value of 52.5 million Euros. Also, 14,000 companies in France have been created by AIDE and it has also increased the employee creation rate (Kraemer and Conforti,2009). Part of this success is due to AIDE's mission which is the same after 20 years. This mission is biased on three pillars:

- o Financing people who have the aim of creating microenterprise. For several reasons, they are not able to enjoy the financial services from the commercial banks (Navarro, et al., 2013).
- o Coaching the micro entrepreneurs. Giving them training before, during and after the creation of the company to ensure that the company will be sustainable and durable (Navarro, et al., 2013).
- o Contribution of the development and improvement of the institutional setting of microcredits and the creation of companies (Navarro, et al., 2013).

B) NGO, with a target approach: these institutions have a specific target market: to improve the unemployment rate and women entrepreneurship, and to help and / or reduce poverty, for example: Microloan Fund of the City of Hamburg (Germany) or Women's Enterprise Support Group (WEETU) in UK (Kraemer and Conforti, 2009). The main target of (WEETU) was to improve the female employment rate in the UK. They tried to achieve this through supporting activities such as giving education and training in order to become a skilled employee. However, in 2013, WEETU was forced to shut down because of a decline in funding from the government and also because of payment conditions (Woods, 2013).

C) Support programmes initiated in existing institutions and development banks: these institutions include support programmes for micro and several enterprises. For example: Finnvera (Finland) or KfW (Germany) (Kraemer and Conforti, 2009).

D) The specialised units or parts of banks: This type is still in the process of expansion. Consequently, they offer very small services of microfinance (Kraemer and Conforti, 2009).

Microfinance appeared in Spain in the early 90s, with the first implementation of a microcredit. Nowadays, the average amount of micro-credits in Spain is between €6,000 and €18,000 with a limit of €25,000 of the ICO-programme as the largest loan amount available as microcredits (European Microfinance, 2013).

From 2001, the microfinance activities begin to develop on a larger scale, namely, savings banks started to promote these services through microcredit programmes. The forerunners of this approach were Caixa Catalunya and de Caja Granada (European Microfinance, 2013).

There are about 1,320 members of groups in Norway, which represents about 265 groups and a loan portfolio of about 53 million Norwegian Krone (NOK) (6,5 million Euro). Microcredit Norway (NCN) has continued, and offers not only microloans, but also training services for entrepreneurship, as well as networking opportunities to the actors in the House of Microenterprises. Furthermore, this network is implementing an information system that will be offered to all existing groups in order to reorganise the microfinance sector in Norway and to enable groups to access practical tools. Currently, the microfinance sector is still fragile. Their development of the sector needs additional funding from public or private funds, as well as a simplification of the regulations for microenterprises (European Microfinance, 2010).

This type of pyramid is common for developing countries like Bangladesh with declining fertility rate but still high birth and death rates. The population grew by about 700 million between 2011 and 2014. Although there is some improvement there are still 2 billion adults who remain without an account (The World Bank, 2017).

A significant portion of the adult population in the world do not hold an account with a formal financial institution. Therefore, these poor adults are part of an informal economy. They are still surviving, they do save, borrow and manage daily expenses. *“However, without access to a bank, savings account, debit card, insurance, or line of credit, for example, they must rely on informal means of managing money. This includes family and friends, cash-in-hand, pawn-brokers, moneylenders, or keeping it under the mattress. Sometimes these choices are insufficient, risky, expensive, and unpredictable. The benefits of financial inclusion are not only significant for individuals but for economies as well. Financial inclusion is linked to a country’s economic and social development and plays a role in reducing extreme poverty. IT also indicates that financial inclusion is not only positively correlated with growth and employment, but it is generally believed to causally impact growth”* (CGAP, 2016).



Without proper guidance and help, access to banking facilities alone may not be the solution for the alleviation of poverty.

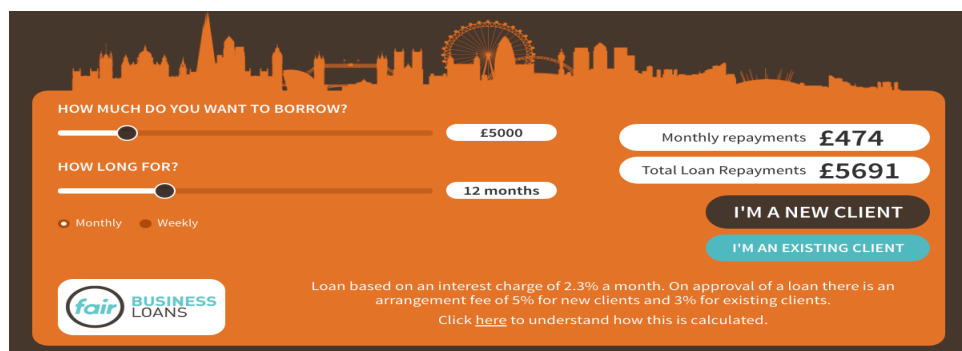
Numerous theories—of poverty traps, general equilibrium effects, behavioural decision making, and/or credit market competition—propose that the impact of more access to micro credit on poor people may not be positive, it also indicates negative (Banerjee et al., 2015). Banerjee (2013) and Zinman (2014) also show related reviews of theory and evidence on such issues.

However, according to Ault & Spicer (2013) state fragility research validates that the experience of poverty is not the same across all countries. Therefore, antipoverty strategies and programmes that may work in one country do not necessarily work with the same effectiveness in more delicate state settings. For example, there are some differences in terms of economic and social infrastructures between the UK and Bangladesh. The governance index captures six individual dimensions of state capability: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. In a factor analysis of the Kaufmann measures, Langbein and Knack (2010) found the presence of one multidimensional factor, rather than six independent measures. Slangen and Beugelsdijk (2010) similarly found high correlations among the individual dimensions of the Kaufmann data and, therefore, averaged their scores into a single composite measure. These findings are consistent with their fragility literature, which suggests that the simultaneous breakdown of multiple formal factors in a country stems from a single cause: the failure of the state to act in the public interest (Baliamoune-Lutz and McGillivray, 2008; Rice and Patrick, 2008). In this index, a higher score indicates a stronger state. They argued that the profitable microfinance model is likely to fit better in countries with lower levels of fragility, independent of the number of low-income and / or poor individuals who live in that country. Therefore, microfinance institutions' related activities may not work the same way in the UK compared to Bangladesh. The chapter six will try to shed some light on this.

Fair Finance is a micro-lender based in London. Fair Finance is funded by social investment and works with a range of banking partners such as Santander, BNPP, Société Générale and UniCredit. Based on social business context in London, Fair

Finance seeks to be sustainable and to make a positive social impact by charging interest at 15% annually for business plus 5% arrangement fees, and for personal loans about 50% annually. It is an Industrial and Provident Society (IPS) registered with the Financial Conduct Authority (FCA). The IPS is a UK legal structure for organisations that conduct business either as a cooperative or for the benefit of the community. Although the client base of Fair Finance differs in a number of respects from that of a typical developing country microfinance institution, in other ways the two groups are similar: they are excluded from conventional financial service establishments; they are mostly eager and able to repay their debts. The cost of borrowing is quite expensive and typical personal loan size varies from £150 to £2000. At Fair Finance, clients are interviewed face-to-face during the loan approval process, to establish how much money they can afford to repay each week, from which the loan officer can calculate how much might responsibly be lent to them. It is because the costs of making micro-loans are high that the interest rates charged are relatively high. (Although Fair Finance's loans — priced at 28% at that time — were significantly cheaper than the cost of borrowing from doorstep or payday lenders, at over 200%; and from illegal loan sharks, at over 800%) (Hannam & Cheng 2012).

**Figure 3.6: Loan repayment amounts**

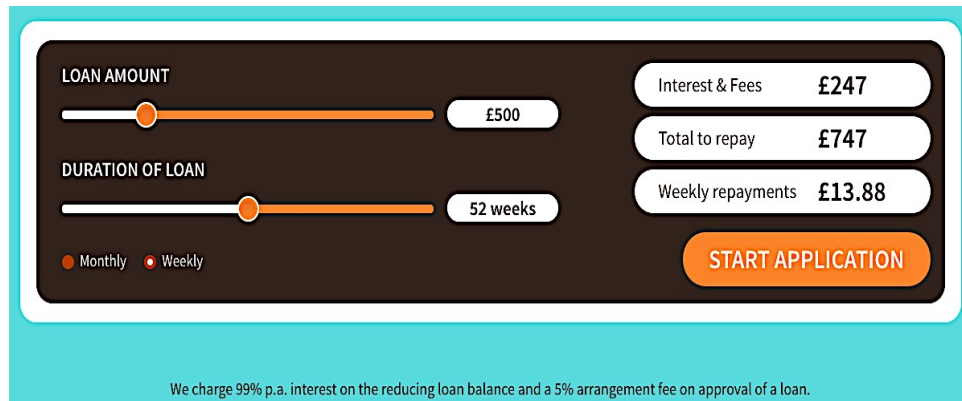


Source: Fair Finance (2016)

The operations of Fair Finance types of organisations suggest that there is a need for microfinance types of institutions in the UK, mainly in London. Therefore, Bangladeshi entrepreneurs based in London may get some benefit from such an organisation. Several researchers, in particular Banerjee et al. (2015), show some positive features of organised microfinance operations. As Fair Finance operations are regulated like microfinance, therefore a regulated operational approach like Fair Finance could enhance micro business finance-related issues for Bangladeshi entrepreneurs. Figure

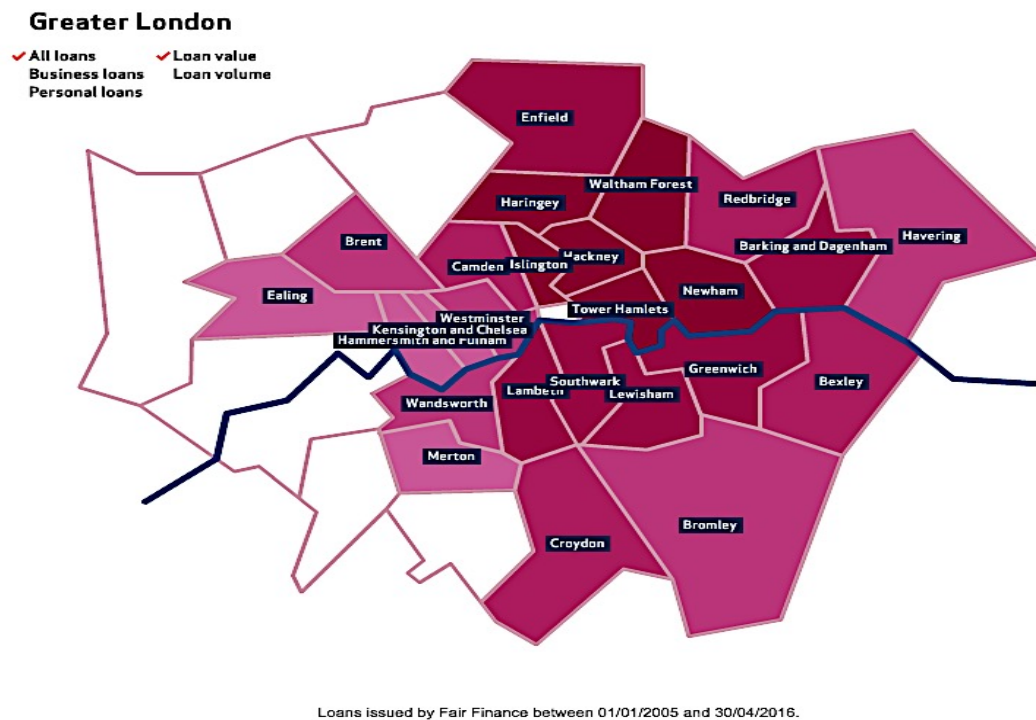
3.6 & Figure 3.7 demonstrate typical loan amounts, fees, and weekly repayment activities by Fair Finance in the greater London area.

**Figure 3.7: Interest & fees along with weekly repayments**



Source: Fair Finance (2016)

According to Hannam & Cheng (2012) there is no agreed meaning for the term ‘financial exclusion,’ and researchers and policy makers disagree on the scale of financial exclusion in the UK. According to Blake and de Jong (2008) around 2 million adults in the UK do not have access to a transactional bank account; around 3 million adults in the UK are excluded from mainstream credit; and a further 3 million adults in the UK, who have some access to mainstream credit, also make use of expensive sub-prime credit. Figure 3.8 shows microfinance-based clients of Fair Finance Ltd in the Greater London area.

**Figure 3.8: Density of loan takers by region**

Source: Fair Finance (2016)

Figure 3.8 shows a portfolio of clients and the darkness of colours shows the large number of microfinance-based clients of Fair Finance from January 2005 to April 2016. Main loan seekers are in the borough of Hackney, £2,365,300, with 3199 clients; Tower Hamlets, £1,786,900, with 2269 clients; and Newham, £1,153,100 with 1504 clients. “While microfinance is well known in Africa, Asia and Latin America, over the last 15 years it has grown across Europe, helping to fill the gap for people who remain unbanked and/or excluded from mainstream finance. In 2014 alone over 390,000 businesses were supported and over EUR1.5bn of funding advanced to create nearly 250,000 jobs across the Europe” (Fair Finance, 2016). The microfinance industry and its rapid expansion show similarities with the Bangladeshi market.

Syed Kamall, MEP for London, said: “Access to credit is fundamental to small and growing businesses, and vital to a thriving economy like London. Fair Finance has shown how microfinance can be used to benefit even the most excluded parts of society and ensure that the benefits of growth and wealth creation are shared by all” (Fair Finance, 2016). However, the business model might best be described as ‘profit optimisation.’ Shortly after establishment, Fair Finance received funding from the UK

government as part of its Growth Fund initiative to tackle financial segregation. The Department for Work and Pensions (DWP) was managing loan capital plus an element for the associated revenue costs for staffing and operational expenses (Hannam & Cheng 2012).

Fair Finance's policy is to recruit high quality staff and to ensure good training. Fair Finance believes this will maintain high levels of productivity, and the clients receive an excellent service. They also believe that the good staff are the best guarantee that loan volumes and interest income will be high, and that default rates and lost capital will be low. Most importantly, good staff ensure that lending is done in a responsible way, giving priority to the interests of the client. For Fair Finance, providing training to loan officers is a vital part of business success, which ensures making loan approval decisions in a responsible way. They also believe in investment in staff development; it reflects Fair Finance's preference for high quality over low cost (Hannam & Cheng 2012).

### **3.11 Conclusions**

This chapter explored the development of microfinance institutions in Bangladesh from the 1970s onwards as well as considering the main features of such institutions in terms of entrepreneurship. Bangladeshi small-scale entrepreneurs are facing different kinds of difficulties and the chapter discussed how the situation has changed over the period of time. Also, this chapter discussed the history of Bangladeshi people's life in London. Both of Bangladesh based and London based Bangladeshi small-scale entrepreneurs recognise that the microfinance related organisation in some cases loan sharks exists and operates in a wider external setting and therefore affects that location through its activities.

This chapter discussed the evolution and operational aspects of several microfinance institutions in western Europe, predominantly the UK-based firm Fair Finance. This chapter discussed the state fragility research which indicates the experience of poverty is not the same across all countries. Therefore, anti-poverty strategies and programmes that may work in one country do not necessarily work with the same effectiveness in

more delicate state settings. Factors may influence antipoverty strategies and programmes i.e. voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. Three dimensions of vulnerability are also well-thought-out in relation to the effectiveness of the microfinance industry, such as economic vulnerabilities, social vulnerabilities and environmental vulnerabilities.

This chapter also discussed how financial innovation has come in many shapes and forms—from peer-to-peer lending; to high-frequency trading, to big data and robotics. Think of the virtual currency exchanges that allow people in developing countries to transfer money across borders quickly and cheaply. Application Programming Interfaces (APIs), mobile access and the internet have been transformational as technological progress to be shared directly with billions of individual consumers whose mobile devices are now portals for accessing a full range of financial services. And the regulatory challenges are just emerging.

## **CHAPTER 4**

### **Methodology**

#### **4.1 Summary**

The previous chapter considered the background of the microfinance industry and the history of how the Bangladeshi people congregated in London, and their business and work-related activities. The investigation of the effect of microfinance on poor people is the subject matter of this thesis and in this chapter the methodology to be used in that investigation is explained and justified. This investigation is twofold and makes use of a quantitative and a qualitative analysis. Both methods, and the rationale for using them, are explained and the selection of a sample of microfinance- related business for investigation is explained and justified.

#### **4.2 Introduction**

The thesis is concerned with the area of microfinance with a particular focus on critical evaluation of its impact on the end user (the un-bankable poor in developing countries). This study also aims to determine how microfinance-based businesses gain access to finance and provision to improve their entrepreneurial skills and model of micro finance related business operation skills with actual practice amongst micro finance-based businesses in Bangladesh. There are two methodologies to consider within this research.

This chapter will also explore the difference between qualitative and quantitative methods and the reason for choosing both methodologies. The quantitative method is the interpretation of certain forms of data, usually numerical. Quantitative data can be further categorised into categorical data, which is grouped and divided in to a rank order, and continuous data, which can take the form of any value (within a range) (Saunders et al. 2000). Qualitative data is more conceptualised and relies on meaning in words rather than a categorised set of data. To reach a proportionate value

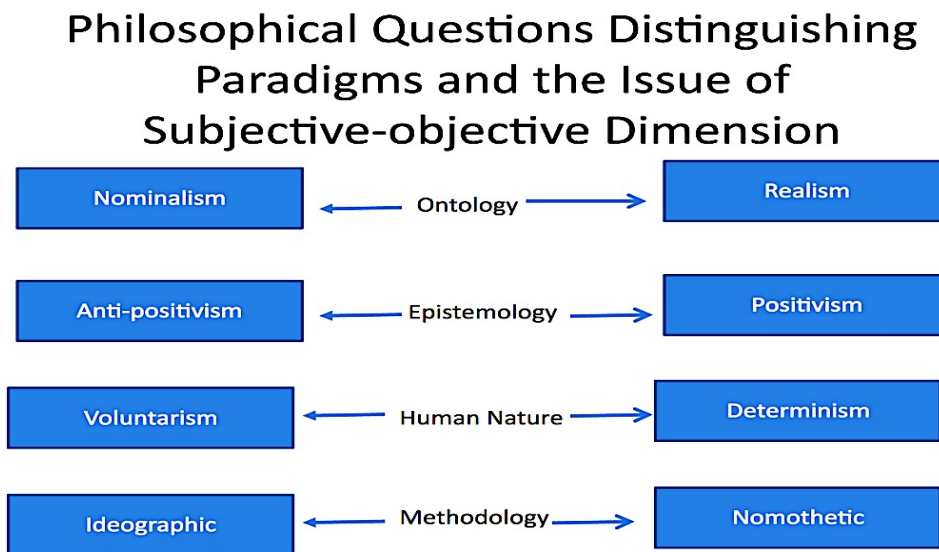
subsequent data in order to conclude the argument in this paper, it was deemed necessary to utilise both quantitative and qualitative data.

### 4.3 Types of research methodology

*“Central to our thesis is the idea that ‘all theories of organisation are based upon a philosophy of science and a theory of society’ (Burrell and Morgan 1979, p.222).* According to Burrell & Morgan (1979) social science could be conceptualised in terms of four sets of assumptions relating to ontology, epistemology, human nature and methodology. In terms of ontological nature, these are assumptions which concern the precise essence of the phenomena under investigation. The second sets of assumptions are related to epistemological nature which investigate how one might begin to understand the world and communicate his or her knowledge to fellow human beings. The third set of assumptions are concerning human nature and, in particular, the relationship between human beings and their environment. The human life is subject and object of all social science enquiry. This view tends to be one in which human beings and their experiences are conditioned by their external circumstances. The three sets of assumptions ontology, epistemology, and human nature have a direct implication of a methodological nature. Each one has significant magnitudes for the way in which one attempts to examine and acquire knowledge about the social world.

Burrell & Morgan (1979) express in Figure 4.1 below the subjective and the objective approaches to social science. An alternative view of social reality stresses the importance of the subjective experience of the individuals in the creation of the social world, then the search for understanding focuses upon different issues, and approaches them in different ways. The main area of investigation is to gain an understanding of the way in which an individual creates, modifies and interprets the world in which individuals find themselves.



**Figure 4.1: Paradigms and the issue of subjective-objective dimension**

Source: Burrell & Morgan (1979)

The research development includes a decision on the research methodology that needs to be selected by the researcher, which addresses two levels, the ontology and epistemology, where both are integrated to form a paradigm. The choice of a paradigm (Table 4.1) is important as it positions the researcher with a decision in the research methods and theory constructions (Zammit, 2000). This is further permitted upon reviewing social sciences that study humans and behaviours, but perceiving their different outcomes and interpretations resting upon the paradigms mainly adopted by the investigating researchers (Abdelaziz, 2001).

**Table 4.1: Alternative terms for the main research paradigms**

| <b>Positivistic paradigm</b> | <b>Phenomenological paradigm</b> |
|------------------------------|----------------------------------|
| Quantitative                 | Qualitative                      |
| Objectivist                  | Subjectivist                     |
| Scientific                   | Humanistic                       |
| Experimentalist              | Interpretivist                   |
| Traditionalist               |                                  |

Source: (Hussey and Hussey, 1997, p.47)

Saunders, Lewis and Thornhill (2007) mentioned that there is no one true method, or correct set of methodological choices, or best strategies that will guarantee the success of the research study. However, according to Ghauri and Gronhaug (2002), Lee (1991)

and Zammit (2000), there are two basic research paradigms that have dominated major research studies in marketing as well as other social sciences; namely the positivist and the interpretative paradigms. This research adopts the interpretative one.

*'Positivists'* are researchers who adopt the natural sciences approach in studying social sciences. This approach preaches reality to be objective, void of any individual subjective perspective that is expressed in observable and measurable methods (Wildmuth, 1993). Thus, positivists formulate hypotheses and propositions to be tested for investigating the validity of the phenomenon under study and reach generalisable results beyond the scope of the data analysed (Roth and Mehta, 2002). All subjective opinions should be excluded as per positivism, and all deduced propositions should have an objective premise (Bryman and Bell, 2003 and Lee, 1999). This methodology takes a strict, objective, neutral and scientific stance, and employs methods of survey, documentary methods, observations and experiments. Using such quantitative tests to collect data, researchers rely on rigorous scientific, mathematical and statistical analyses to answer their research questions (Remenyi, Williams, Money and Swartz, 1998). Eventually, 'truth' or 'theories' are reached by verifying and replicating observable findings and excluding any unobservable or subjective explanations (Clark, 1998).

*'Interpretivists'* are researchers who deal with reality from a subjective perspective. Thus, they adopt a subjective perception of reality, and employ 'standard' designs and methods as well as projective procedures in their explanations. Interpretivists identify the researcher as a member of a social group in which he/she interacts actively in its formulation, development and in making meaning of its interactions. As such, researchers are involved in a continuous process of making sense of social sciences' actions and surroundings as acted by individuals who are members of social groups; but nonetheless the researcher acquires an objective stance in the interpretational process (Saunders et al, 2007). This interpretation rests upon the fact that the understanding of social actions relies upon the context it rests within as well as the intentions of the actors (Schwandt, 2000).

Upon addressing any research, it is essential to discuss its paradigm, its ontology and its epistemology. On the one hand, ontology is the view the researcher has towards

reality and being, whereas on the other hand the epistemology is the researcher's view of how the knowledge is acquired. As ontology is related to the view about reality, it sets the path for epistemology related to the application of research, as in data collection and analysis.

Firstly, the adopted ontology simply reviews the nature of reality and how a paradigm addresses it, or in other words it answers the questions of how reality is created. Interpretivism came along to interpret the social actions of people, grasping the meaning that constitutes the action itself. This is usually undertaken through that actor's intent identification, as in getting to understand his actual intent, the language and how it is used and interpreted, along with relating that with the way the researcher and the actor interpret differently (Schwandt, 2000). In other words, interpretivists deem that reality and individuals are inseparable; whereby the perception that people hold towards the world is related to the experiences that these people have undergone throughout their lives. This means that reality is constructed based on each individual's subjective interpretation, where people make their own meaning of the different events that are distinct and cannot be generalised. These experiences support the development of subjective characteristics for these people, which is the perception they hold towards what objective characteristics prevail in the world. In short, this means that the meaning/perception/understanding is constantly negotiated and differs as per the dealings of the people. Again, this holds the fact that there are multiple perspectives that people hold towards the same incident.

Weber (2004: p. 5) puts it as the *"objective in the sense that it reflects an intersubjective reality"*. The interpretivist ontology identifies social reality as *"a product of processes by which social actors negotiate the meanings of actions and situations together"*, where its concern revolves around the way people interpret the conditions they co-exist and live in (Kakabadse and Rozuel, 2006, pp.82-83).

The nature of the interpretative research discussed earlier makes it quite realistic to presume that the researchers themselves act as instruments of measurement, while interpreting and measuring a phenomenon under observation. This fact makes it realistic to acknowledge the impact that the interpretive researchers hold upon the phenomenon under study or research objects, along with the effect that falls upon them

in turn. This means that the researchers and the research objects are “inextricably related” within the interpretive realm.

Secondly, for the adopted epistemology, this relates to the relationship formed between the researcher and the research objective or phenomenon under study, which in turn affects the analysis of the reality. Interpretivists believe that knowledge building reflects their particular goals of culture, experience and history along with the aforementioned personal experiences. This means that knowledge is gained through different situations and cannot be reduced to simple interpretation processes; it is gained through personal experiences. The difference in interpretation stems from the variance between people and objects of natural science, where mere causality is not quite feasible to acquire knowledge about people. Through the interpretive epistemology, the researcher needs to grasp the subjective meaning of social action that people perform, unlike different natural phenomena or objects. So, they identify that they “intentionally constitute” knowledge, to try to make sense of the world, and employ sense-making techniques in the framework that actually constitutes their lives within their particular goals. Eventually, they hold the position that “*knowledge is built through social construction of the world*” (Weber, 2004, pp.6-7). A research epistemology is defined as “*an area of philosophy concerned with the nature and justification of human knowledge. A growing area of interest for psychologists and educators is that of personal epistemological beliefs: how individuals come to know, the theories and beliefs they hold about knowing, and the manner in which such epistemological premises are a pair of and an influence on the cognitive processes of thinking and reasoning*” (Hofer and Pintrich, 1997, p.88).

There are a number of different types of research methodology, some of which align themselves more to one paradigm than another. However, some methodologies can be used under either a positivistic or a phenomenological paradigm, depending on the assumptions of the researcher (Hussey and Hussey, 1997). Table 4.2 below presents the main methodologies used in business-related research. It should be noted that these two paradigms are near the extremities of the continuum; each methodology can be moved some way along the continuum according to the individual researcher’s assumptions (Hussey and Hussey, 1997).

**Table 4.2: Approach to social sciences research**

| <b>Positivistic</b>      | <b>Approach to social sciences</b> | <b>Phenomenological</b>  |
|--------------------------|------------------------------------|--------------------------|
| Associated methodologies |                                    | Associated methodologies |
| Cross-sectional studies  |                                    | Action research          |
| Experimental studies     |                                    | Case studies             |
| Longitudinal studies     |                                    | Ethnography              |
| Surveys                  |                                    | Feminist perspective     |
|                          |                                    | Grounded theory          |
|                          |                                    | Hermeneutics             |
|                          |                                    | Participative enquiry    |

Source: Hussey and Hussey (1997, p.59)

According to Sekaran (2000) and Churchill and Iacobucci (2004) quantitative research, while being very beneficial, is greatly enhanced when used in combination with other qualitative research methods such as case studies, interviews and observation. When qualitative and quantitative research approaches are collaborative, we have what is called triangulation in action (Frankfort-Nachmias and Nachmias, 1996; Easterby-Smith et al 2002). Triangulation provides assistance to researchers to improve the correctness of their judgements by collecting different kinds of data bearing on the same phenomenon. In order to enhance data accuracy, both qualitative and quantitative data was chosen. Morgan (1998) also discussed the importance of data triangulation in terms of reliable results for researchers.

To begin with the methodology's research design, it is essential to discuss the research question(s) and the objective(s) of each one. . The nature of the research questions listed earlier makes it an exploratory research that tends to explore untapped areas. In our case, research question one is the effect of microfinance on women entrepreneurship in Bangladesh. Influential factors and the source of finance sought by micro business is the topic for research question two. Factors which motivate micro business applicants to approach microfinance institutions is the topic for research question three, and finally the difference between sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK.

In general, the nature of the questions of the research makes it an exploratory one. Social exploratory research attempts to find out how people get along in the setting under question, what meanings they give to their activities, and what issues concern them. The goal is to learn 'what is going on here?' and to examine social phenomena without unambiguous prospects (Schutt, 2006).

This research mainly seeks to explain the concept of microfinance and CSR understudy and review female entrepreneurship in Bangladesh in research question one, then research question two tries to explore influential factors of sources of microfinance. Research question three attempts to examine motivational factors for choosing several microfinance institutions. Research question four seeks to explain any difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK. Research question one is addressed from both types of research techniques, quantitatively via the instrument developed by the researcher and qualitatively via the focus group interviews developed by the researcher. Research questions two and three are addressed quantitatively and qualitatively via the instrument developed by the researcher and research question four is addressed qualitatively via the semi-structured interviews developed by the researcher, as shown in Table 4.3.

**Table 4. 3: Research methodology engaged in this research (developed by researcher)**

| <b>Research Question(s)</b>  | <b>Type of Research</b> | <b>Research Technique</b>    | <b>Target Group</b>  | <b>Research Method</b>   |
|--|-------------------------|------------------------------|--|--|
| 1.Has micro finance had a significant effect on women entrepreneurs in Bangladesh? | Exploratory             | Qualitative and Quantitative | Users of microfinance & field advisers of MFI institutions | Semi-structured interview and coding analysis (developed by researcher) and focus group interviews |
| 2.What factors influence the source of finance sought by micro business?           | Exploratory             | Qualitative and Quantitative | Users of microfinance                                      | Instrument data collection and statistical analysis (developed by researcher) and                  |

|  |             |                              |  |   |
|--|-------------|------------------------------|--|---|
|  |             |                              |  | focus group interviews  |
| 3. What motivates micro business applicants to approach microfinance institutions?   | Exploratory | Qualitative and Quantitative | Users of microfinance field advisers of MFI institutions                     | Semi-structured interview and coding analysis (developed by researcher) as well as quantitatively via statistical analysis and focus group interviews |
| 4. Is there any difference between sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK? | Exploratory | Qualitative                  | Users of microfinance both in Bangladesh and Bangladeshi community in London | Semi-structured interview and coding analysis (developed by researcher)   |

#### *4.3.1 Methodological Technique*

Next to setting the type of research and research technique, the method of data collection is to be set. Traditionally, quantitative techniques are classified as deductive and following the positivist paradigm, while qualitative ones are classified as inductive and following the interpretive paradigm (Cook and Reichardt, 1979). In terms of the method of data collection, the interpretivists would favour an approach that allows a qualitative in-depth inquiry into human behaviour which is capable of generating significant insights into the social dimensions of the inquiry. This rather classic classification had been moderated across literature, where it became a fact that the interpretive paradigm can accommodate both quantitative as well as qualitative methodologies, without a restriction for only qualitative methodology (Tashakkouri and Teddle, 1998).

Based on that, it became crucial to select a methodology after making comparisons between them. On the one hand, the qualitative approach may have a weakness in not

providing a basis for sound generalisations because of the lack of representativeness when relying on a limited number of / few respondents. The method could also generate problems of case selection and transferability. On the other hand, the quantitative approach as a standalone is insufficient and incomplete to project and develop theoretical concepts (e.g. a failure to identify explanatory variables, misspecification of models, etc.), and inadequate to operationalise procedures needed in building theory (Kelle, 2006).

As a significant amount of micro finance and CSR research had been survey based, this might have caused a bias in data collection and later analysis. This bias would be interpreted to be built upon the desirability-edge, where all respondents and stakeholders would side and desire to select the answers that stress the positive and socially responsible behaviour of corporations. The research is led by the foundations of a grounded theory; there are a range of methods of data collection, including a self-administered questionnaire (which was deemed suitable for gaining quantitative data).

The second method of research was a measure taken to analyse qualitatively and involved 10 focus group interviews. The participants were handpicked by the researcher in-line with the 'Purposive Sampling' method as defined by Clair et al. (2000) where the participants are not chosen arbitrarily but purposely. This particular method was used so that the researcher could analyse someone who was definitely directly associated with microfinance-related business. In order to achieve relevant and meaningful qualitative data, the researcher undertook 10 focus groups with about 10 members in a group, as well as separate one-to-one interviews with members of microfinance institutes in Bangladesh. The population to be studied is labelled as main microfinance users in Mymensingh district. Mymensingh district is one of the main areas of Bangladesh in terms of users of microfinance.

155 subjects in all filled in the questionnaires via one to one face-to-face interviews. Out of all 155 respondents only two responses were ignored as they were not users of microfinance and one respondent was unable to answer all the questions. As a native Bangladeshi person, the author being able to understand respondents' body languages also contributed to collecting rich source of data.



Similarly, data was collected from small-scale entrepreneurs in London, UK. The researcher made a calculated judgement and concluded that all participants would be a manageable number when proceeding with face-to-face interviews. The interview was semi-structured and involved a few main questions from East London-based small-scale entrepreneurs.

The objective of these interviews is to allow respondents to say what is really on their minds without being influenced by suggestions from the researcher, whereas closed questions (as in the questionnaire) locked respondents into arbitrarily limited alternatives (Foddy, 1993). Moreover, perhaps the most persistent criticism of closed questions is that pre-set response options are likely to cause respondents to give answers they would not give if they had to provide them for themselves, whereas the open questions show how a respondent has interpreted the phenomenon. However, as Foddy (1993, p.152) pointed out, methodologists who have considered the issues have tended to settle on the compromise position that “*a judicious mix of open and closed questions is appropriate.*”

The interviews were open-ended questions and allowed for the participant to elaborate and stress their feelings around the topic. The interviews each lasted around 40 minutes and led to some interesting information. The interviews were face-to-face interviews, as it is easier to control the external environment, i.e. the interviewer has the full acknowledgement of the participant and levels of distraction are minimised and controlled. It is also more personal and, apart from the structured questions, allows the conversation to flow more freely than a generic telephone conversation with a list of questions. Face-to-face surveys allow for more intensive questioning, with the aim of delving into the reasons for certain attitudes developing, while electronic surveys do not reach this depth; the presence of an interviewer makes the interview situation controllable and achieves higher response rates, and electronic surveys cannot guarantee response rates. It is also easier to notice from the participant's movement and expression whether they are comfortable in the interview. This cannot be acknowledged over the phone, apart from possibly dissecting levels in tone of voice.

A qualitative research design and methodology is proposed in order to develop an understanding of the socially constructed reality of the participants involved in this

study in terms of their views and perceptions of issues directly relevant to the study's aims, as most of the borrowers and field representatives in Bangladesh are illiterate. This study will draw upon primary research involving 10 focus groups with about 10 members in a group. *"The hallmark of focus groups is their explicit use of group interaction to produce data and insights that would be less accessible without the interaction found in a group"* (Morgan, 1997). Robson (1993) discusses the lack of standardisation, which leads to concerns of reliability (Saunders et al. 2000, p.250).

Focus groups can be a good method of generating ideas for new products/initiatives. They are also seen as being more efficient than conducting several individual interviews. Focus groups are particularly useful when gaining access to a sense of contributor cohesion is the vital concern (Parker & Tritter, 2006). These interviewees will include employees of micro lending organisations, pressure groups, regulatory bodies and professionals and, most importantly, customers of micro lending organisations. It is intended that the interviews will be tape-recorded. From the initial focus group that follows on from the preliminary research, the data results will need to be taken into consideration and used as the main headings for the ensuing research. This can only be done after the initial focus group study to see what themes emerge. The research will therefore need to include the most important themes, most noteworthy quotes and any unexpected findings (Breen, 2006).

Overall, the aim of the primary research is to generate an insight into the views and perceptions of the interviewees in connection with issues related to the aims of this study and to contribute towards developing a strategy to enhance entrepreneurial skills and sustainable businesses, effect of microfinance on poor people. On a wider scale this study, in conjunction with secondary research, seeks to generate a fuller understanding of the rationale and complexities of the microfinance-based entrepreneurs in Bangladesh when compared to small-scale Bangladeshi entrepreneurs in the UK.

#### 4.4 Qualitative versus quantitative research

A qualitative researcher can adopt better to the situation than a quantitative researcher. This is because qualitative research is much more flexible in its nature. The qualitative researcher can discuss matters in more depth and also adapt better to the interviewee's knowledge.

The positivist approach emphasises “*quantifiable observations that lend themselves to statistical analysis*” (Remenyi et al. 1998, p. 33). Alternatively, qualitative approaches acknowledge the complexity and unpredictable nature of individuals and the situations they find themselves in. It therefore tends to be more subjective in nature and revolves around exploring and reflecting on perceptions with the objective of gaining deeper understanding (Cavana, et al, 2001; Hussey and Hussey, 1997). As the user of microfinance does not know how to read and write well, the qualitative approach appears to fit well into this study. When examining the use of the quantitative and qualitative approaches, some fundamental methodology assumptions must be addressed. Firstly, in light of ontology, the nature of reality must be assumed. From a qualitative perspective, it is assumed that the researcher has some impact on the creation of reality. It assumes the world is socially constructed and deeper understanding is only gained by exploring the perceptions of the participants. It acknowledges that the observer has some impact on the object being observed (Hussey and Hussey, 1997; Roberts, 1997). By its very nature, qualitative research incorporates a certain degree of subjectivity as a result of this interaction between the researcher and the phenomenon being investigated and will feature some bias in its observation. The method can be seen to reduce these biases, the experience, knowledge and expertise of the researcher will be reflected in the interpretation of the phenomenon, but that is likely to enrich the analysis and findings. In terms of ontology, quantitative research sees the role of the researcher as quite separate to the phenomenon itself and the nature of the data retrieval seeks to remove all bias. Quantitative research views the world as objective and external to the researcher. This approach suggests a more objective view of what is being studied but does not reflect the complexities of many real-world situations (Creswell and Plano Clark 2007; Hussey and Hussey, 1997).

While ontological assumptions focus on the nature of reality, epistemology is concerned with just how these assumptions can be known and can thus be accepted as being valid knowledge. Positivism has long been associated with quantitative research (Remenyi, et al, 1998). Positivists suggest that only phenomena that can't be observed and measured can contribute to knowledge and thereby seek to keep the role of the observer independent from the experience. This approach is useful in hypothesis testing and identifying external factors or variables on the phenomenon. "*Phenomenologists attempt to minimise the distance between the researcher and what is being researched*" (Hussey and Hussey, 1997, p. 49). This qualitative approach assumes that the viewed behaviour is a direct response to the experience, rather than accounting for other external factors. Each situation examined is unique and characterised by the actors involved. This will have a direct impact on the research design and outcomes from the research (Remenyi et al, 1998; Roberts, 1997). However, the acknowledgement of the specificity of this epistemology does not make it any less valid a choice but is precautionary in the outcomes that can be concluded and the ability to apply these to a widespread cohort. It is the exploratory nature of the phenomenologist approach that makes it so valuable and is particularly important in the study of the development of the work -life balance of micro finance- related entrepreneurs, as so little is known about this phenomenon, and so little research is currently available.

Based on these assumptions, a phenomenological paradigm appears most suited to this research. This is because the role of the researcher will inevitably cross boundaries with that of the participants during the research process and the subsequent data analysis, so it is impossible to report from a truly external, non-participative perspective. Indeed, the interaction between researcher and respondents is important in clarifying information about this phenomenon.

Despite the levels of trigger being sustained, some level of subjectivity will occur. Inevitably, qualitative research will be affected by the meanings, interpretations and actions of the researcher (Dick, 1997; Lindolf, 1995). A phenomenological paradigm does not attempt to make assumptions about the situation being studied and thereby assume them to be representative of a wider population, but reports on selected excerpts of data, seeking to better understand the objects of interest to the researcher.

The experiences of users of micro-financed based businesses as the subject matter for this research have the potential to provide rich research data, which is likely to be best interpreted adopting a qualitative approach, but may benefit from a combination of approaches. Curran and Blackburn (2001) have acknowledged that until recently, like most business and management research, quantitative analysis and positivist explanations have dominated small business research. However, they suggest this trend is changing, as qualitative, non-positive approaches are more suited to this cohort. The main reason for this is the nature of small business as such a diverse group. Making generalisations about micro business from quantitative enquiries may be of limited value, as the nature, industry, practices and styles of business are so diverse in this group. Therefore, qualitative research methods have become more common as a method of exploratory enquiry into the subtle experiences of this cohort.

The reality of business research is that the lines become blurred between approaches, and some attempt to mix the approaches can provide a wider picture of the phenomenon being studied. One approach need not be taken to the exclusion of others. Mingers (2001) advocates adopting a multi method approach to research. Most notably, this can be in an attempt at triangulation to improve validity of the research in mixing the methods of data collection, investigator triangulation, methodology triangulation or triangulation of theories or perspectives (Stake and Usinger, 2010).

Zammit (2000), points out that the researchers should understand the advantages and disadvantages of both paradigms and their relative strengths and weaknesses so that a triangulation of procedures could be adopted by the researcher. In this way, any attempt made to combine both methods would be good to overcome limitations, to solve problems of method research and to compensate for their mutual and overlapping weaknesses. Kelle (2006) mentions both paradigms have specific limitations as well as

particular strengths. Selecting one research methodology would create bias, whereas every technique has certain limitations that can be complemented by using another methodology. Accordingly, a mixed methodology approach has been used in social sciences investigations using both quantitative and qualitative approaches (Deshpande, 1983), though the mixed approach has several constraints (e.g. time, finance and scope of the study) (Saunders et al., 2007; Zammit, 2000).

#### **4.5 Data collection**

The primary data was collected from 152 microfinance users and four providers. The discussion will highlight inner influences such as reason for seeking microfinance, reason of popularity of women entrepreneurs, motivation factors for using microfinance and its contribution towards reduction of poverty. Finally, some inspection of the type of learning that may have resulted and how this may lead to the development of entrepreneurial capability. The Mymensingh region represents approximately 30 percent of the micro businesses in Bangladesh. This is therefore why the Mymensingh region and users of microfinance were chosen for this study.

The data collection focused on understanding subjective experiences about the qualitative aspects of poverty, such as feelings of susceptibility, deprivation, and helplessness. One of the main objectives was to understand in what way the obtainability of microfinance prejudiced the lives of constantly poor individuals and households. By concentrating on the lives of the borrower, a more multifaceted analysis of the experiences and lived actualities of poverty than what can be understood from household consumption figures, interest rates etc. This research involves data collection by questionnaire along with, focus groups interviews. In order to collect primary data author went to Bangladesh and during author's trip, the author was able to meet with several micro-financed based women at their houses in the Mymensingh District. During the interviews, the women entrepreneurs brought up several concerns that they had with their current loans, such as uncontrollable debt, training, high interest rates and difficulties with repayment. Based on these initial interviews a survey was created to gather further information from MFI programme participants in order to determine if these and other concerns were widespread among MFI loan borrowers in the Mymensingh District. Also, based on information gathered from the initial trip,

several research questions were developed. Collection of data was quite difficult in some cases due to the very low level of education, and due to commuting to different rural destinations. The primary data was collected from 152 microfinance users and a four loan providers.

After several phone calls and numerous emails to the Grameen Bank head office in Dhaka I was able to arrange a meeting with the head of the loan division. In order to arrange a meeting and to obtain permission and move this research forward, I was fortunate in obtaining assistance from the additional Director of Bangladesh Bank, Mr Ramizul Islam and Mr Abu Sadeque, the Deputy Director of Bangladesh Bank. They also authorised the researcher to study monthly periodicals and central bank journals based at the Bangladesh Bank in Dhaka head office. These internal journals also aided the design of a pilot study questionnaire. A pilot study was conducted first with 10 microfinance users before conducting the main research. There were some issues with language and with understanding microfinance users' responses well. The author had to simplify questionnaires and reflect upon and change the style of asking questions during focus group interviews. Due to lack of good infrastructure in Bangladesh commuting in general was quite difficult, especially rural areas.

#### **4.6 Data analysis**

A coding scheme was developed to transform the nominal survey data into numerical categorical data. Data was inputted into IBM SPSS version.22 statistical software. Variables were defined and labelled. The questions were divided into two categories for analysis, Group and Score. Group variables were used to assign survey responses to a specific category. For example, the answer for the survey question pertaining to gender would fall into either 1=Male, or 2=Female. Score variables were used to measure the quantity of variables. The level of education or the age of a survey respondents are measured using the score variable format. Score variables were also used to measure answers using a Likert scale. Several of the questions relating to borrower satisfaction fall into this category. Details of SPSS generated outputs of this research are found in Appendix 8.

Descriptive statistics were generated from group data and are presented as percentages by categories for several questions of demographics, as well as several bivariate questions. A Chi-Square test was used to measure differences in expected versus the observed frequencies for several variables measuring borrower opinions. Also, Pearson's product-moment correlation coefficient was used to determine the existence to statistically significant relationships between variables. Numerous longer form focus group interviews were also conducted to clarify several points not addressed in the surveys and to add context to the data collected. Responses from these interviews are included in the analysis. These descriptions and accounts add a deeper understanding of the microfinance programme borrowing experience and the challenges the borrowers face.

#### **4.7 Pilot study**

A pilot study was carried out to verify the satisfaction potential with the wording of the questionnaire.

This pilot test was conducted on four microfinance-based entrepreneurs and they were not part of the sample. Before conducting the pilot, all questions were pre-tested to determine the likely length of the interview and to ensure details of all questions. A few questions were modified before the final interviews, as pilot study respondents did not understand them.

#### **4.8 The sampling method**

The population frame is the total number of factors that the researcher aims to investigate or examine within a specific time in a particular setting. The present researcher identified and selected the target participant sample as specifically as possible, taking into account the aims and objectives of the study. Its main objective was to investigate the practicality of establishing whether the microfinance industry is working well in Bangladesh and the Bangladeshi community in London, UK. Therefore, the selection criteria for target participants were limited to the users of microfinance and some of MFI's field representatives.



The target participants were based in Mymensingh, Bangladesh. Mymensingh is bordered on the north by Meghalaya state of India and the Garo Hills, on the south by Gazipur district, on the east by districts of Netrokona and Kishoreganj, and on the west by districts of Sheirpur, Jamalpur and Tangail. The Mymensingh region represents approximately 30 percent of the micro businesses in Bangladesh. Also, target participants were Bangladeshi microfinance-based business entrepreneurs in London, mainly around the Whitechapel area. The sample used in this research paper was identified based on convenience (that is feasibility and access) as well as the capacity to reproduce results and display contemporary relevance (Remenyi et al, 1998; Curran and Blackburn, 2001; Yin, 2009).

#### **4.9 Sources of data for qualitative research**

Interviews were with over 152 participants. The focus group technique involved, semi-structured interviews which were very useful as they helped to uncover participants' business knowledge, entrepreneurial skills, and the main purpose for their use of microcredit. A focus group is, according to Lederman (Thomas et al. 1995), a technique linking the use of in-depth group meetings in which contributors are selected because they are a purposive, although not essentially representative, specimen of a specific people, this group being 'focused' on a given theme.

Approval was obtained from every participant for each interview to be recorded. Afterwards, all recorded material was transferred to computer disk for storage in MP3 format and labelled with details of the particular date.

#### **4.10 The questionnaire design**

As the information gained from the participant interviews was pivotal to the data collection, a semi-structured approach to question design is considered most suitable. While a totally unstructured approach has the benefit of leading to open discovery, it can be restrictive in that matters explored may vary widely from interview to interview (Hussey and Hussey, 1997; Sekaran, 2003). To ensure reliability of data, care was taken to administer the interviews in the same way each time, as much as possible. This involved posing the question in the same manner and taking steps to ensure the

questions were understood in the same way by each respondent. Care was taken in the development of the questions designed to stimulate correspondence (Hussey and Hussey, 1997). Due to time and other resource issues, entrepreneurs based in London were interviewed individually.

#### *4.10.1 Three major thoughts with relation to the design of questions:*

1. The relevance of all questions with regard to the research problem (Frazer and Lawley, 2000).
2. The ordering of questions to minimise bias and develop a suitable interview pattern (Cavana, et al, 2001; Frazer and Lawley, 2000).
3. The advantages of using a mixed method of question type, incorporating open-ended questions, closed questions and scaled responses (Cavana, et al, 2001; Frazer and Lawley, 2000; Hussey and Hussey, 1997).

Conducting personal interviews can be time consuming and participants can lose focus if the time period continues too long. Although the fundamental purpose of the interview is deeper exploration of underlying and sometimes unseen issues, too many questions can run the risk of losing focus (Frazer and Lawley, 2000; Yin, 2009). To maintain relevance, all questions have been mapped both to the research problems identified for this study and the theoretical framework underpinning use of finance by micro business entrepreneurs. Any questions that did not directly address the research problem or support the theoretical framework were eliminated. This makes the process of analysis more straight forward as direct links can be made to responses and research expectations.

Secondly, attention was given to ordering the questions having significant values. Cavana, et al (2001) describe the benefits of developing a logical pattern to the interview, predominantly through expediting the interview process due to the removal of communication barriers and encouraging the flow of information. This begins with selecting a suitable setting, developing rules for the interview, providing a background to the purpose of the interview and briefly previewing the style and expectations. In this study, the obligation of the participants was reviewed, in addition to revising the details of the information letter they had already received, and the letter of consent.

Once both the interviewer and participant were at ease, the interview proper could begin. Here the order of the questions is paramount. Frazer and Lawley (2000. P.29) suggest that opening questions should be “*simple, interesting and non-sensitive in order to gain respondent cooperation*”. The subsequent order is important to minimise order bias and ensure responses are consistent and not influenced by the order of the questions. A copy of the interview questionnaire is attached in Appendix 5.

As the purpose of the interview was to elicit deeper knowledge, a genuine intimacy and rapport needed to be achieved. Cavana et al (2001) suggest these result from caring, authenticity and sensitivity on the part of the researcher. In this study, the comfort and confidence of the participant was kept in mind at all times, with care taken by the interviewer not to pursue aspects that proved uncomfortable for the respondent. In accordance with the views demonstrated by Cavana et al (2001), the final phase of the interview focused on demonstrating similar consideration of the participant in reviewing the outcomes of the interview process, soliciting questions and concerns from the participant and giving advice regarding any future action to be taken.

Thirdly, the most effective way to gain a deeper level of information during these interviews was to adopt a variety of question types in the question design. Open-ended questions, while being time consuming to administer and difficult to analyse, are useful in exploratory research and allow respondents to express themselves freely and minimise researcher bias in ‘leading’ responses. Cavana et al (2001) recommend the use of ‘stem-plus-query’ design, which includes the subject matter followed by the proposal of the question. This style was often adopted as it softens the questions, thereby making them less inquisitorial. This also has the advantage of creating intimacy and confidence, identified as important for this type of data collection. Open-ended questions are useful in soliciting new information. The research design for this study focused on semi-structured interviews so, as Yin (2009) suggests, this encourages the respondent to assist in developing ideas that are important, and as such their role may become more of an ‘informant’ than just a respondent.

Closed questions were limited in their use during this interview. Choices tended to limit or lead the responses but were sometimes used for ease for both interviewer and participant, and provide some data for easy analysis. A dichotomous scale was occasionally used to focus responses in some basic areas (Sekaran, 2003).

In qualitative research, the most valuable outcome of the interview is to develop an understanding of the respondent's world. It is acknowledged that the interview is an interaction between the researcher and participant. Question design and delivery underpin the success of this method of data collection (Cavana et al, 2001; Hussey and Hussey, 1997).

#### **4.11 Qualitative research and data analysis**

Much research lacks the personal stories of micro loan users, making the findings theoretical. By allowing microfinance users to explain their circumstances in their own words, this research provides useful in-depth information that is missing from much of the current research on microfinance.

Qualitative study and, specifically, focus-group interviews produce large quantities of data, which are inclined to overpower beginners as well as skilled academics. A central aim of data analysis, according to Robson (1993), is to decrease data. Yin (1989 and 2009) points out that data analysis contains a number of phases, i.e. examining, categorizing and tabulating or otherwise recombining the evidence, in order to address the initial goal of a study. Krueger & Casey (2000) build on this concept and suggest that the purpose should drive the analysis; they believe that 'analysis begins by going back to the intention of the study and survival requires a clear fix on the purpose of the study'.

##### *4.11.1 Applied projective methods for focus groups and intense interviews*

In qualitative research, projective techniques explore associations with brands, symbols, products, advertising, and images. They explore people's subconscious feelings, beliefs, and desires. Respondents project their feelings and beliefs about other people or objects. In doing so, they reveal feelings and beliefs about themselves. With sensitive subjects, the technique works well.

#### *4.11.2 Practical projective techniques*

The main practical and simple techniques are:

- Metaphors, analogies, and similes
- Third party projections
- Role-playing

#### *4.11.3 Third party projections*

With this technique, respondents were asked to describe what other people are doing, thinking, feeling, believing, and saying. Respondents were asked to project to a third party. Here are some examples of questions.

“Who borrows from Grameen Bank? What is the real reason they use it?”

“What does your friend think about Grameen Bank, Posika, BRAC bank?”

Follow-up these questions and probe answers, using the third person.

Use of third party projections for sensitive subjects. Third Party projections are very useful in terms of getting important feelings and belief-related data. This particular method was used for the research as microfinance users were reluctant to say any words which could dissatisfy the MFI's field representatives.

#### *4.11.4 Role-playing*

Role-playing related questions were asked to field representatives to assume a role and act the part. It is a variant of third party projection.

“If you were the field representative, what would you do to improve the project?”

“If you were the manager of this company, what would you do to reduce customers' complaints?”

“If you were in your friends or family member's shoes, what would you do?”

Role-playing related questions were asked mainly to derive recommendations.

#### *4.11.5 Associations*

Respondents were asked to link a word or image to a category, product, brand, or event. Then respondents were asked how the association ties to the topic. Some association techniques include word associations, imagery associations, and personifications.

#### *4.11.5.1 Word associations*

Provide a prompt in the form of a word, phrase, or sentence and ask respondents to associate something with it.

“When you think of your Grameen, Poshika, BRAC, what is the first thing that comes to mind?”

“What comes to mind when you hear the term microfinance field representative in your area?”

“When you see the Grameen, Poshika, BRAC bank logo, what image comes to mind?”

### **4.12 Projective techniques and laddering**

Thomas J. Reynolds and Jonathan Gutman developed and introduced laddering in 1988, based on Gutman’s Means-End Theory of 1982. They describe product attributes, consequences, and values (Reynolds and Gutman, 1988). Product attributes produce consequences that produce personal meaning (values) for product users. There are four levels to the features-benefits-emotions chain. They are:

1. Features
2. Functional benefits
3. Higher order benefits
4. Emotional benefits

### **4.13 Limitations of this research methodology and reliability**

Reliability is a key criterion for measuring the quality of research. Broadly, it refers to the consistency of data collection and analysis. In order to conduct this research, the author was careful about the fact that, if a different researcher carried out the same research, subsequently they should get similar results, although, this might not be the case for qualitative methods, e.g. participant observation implicates researcher. Lincoln and Guba (1985) suggest the term ‘dependable’ instead of ‘reliable’ for qualitative research (Golafshani, 2003).

Due to the considerable number of microfinance users in the Mymensingh region and in the UK, London based Bangladeshi microfinance makes a representative sample

almost impossible. However, it is vital for quantitative researchers to generate representative samples. Therefore, special consideration was taken when collecting quantitative data samples.

Other problems encountered when conducting comparative/international research:

- Managing cross cultural research groups i.e. ensuring that data collected is comparable in terms of categories and data collection methods
- Obtaining funding for a project of this magnitude
- Insensitivity to specific national or cultural contexts of certain data collection instruments
- Problems of achieving equivalence between samples, variables and methods used e.g. nationality is often used as a surrogate for culture; differences attributable to nationality may be attributed to culture, and vice versa. For this research participants were kept well informed so that they did not alter their behaviour.

According to Boddy, (2017) following biases may represent invalid decision making. Therefore, special care was taken in order to avoid possible biases. Prior hypothesis: Select information which supports previous beliefs. Representativeness: Generalise from a small sample or a single vivid event – not properly researched. Optimism bias: due to a human tendency to judge future events in a more positive light than is warranted by actual experience. The illusion of control: Overestimate chances of a favourable outcome – those in senior positions with a record of success may overestimate the odds of a favourable outcome. Escalating commitment: Put in more resources despite evidence of failure – reluctance to admit the mistake. Relationship bias: Attachment to people or things affects decisions. More details of the limitations of this research will be explored in Chapter Eight.

#### **4.14 Ethical considerations**

According to Murray and Beglar (2009: 32) “ethical considerations are an important part of conducting research and cannot be ignored”. In the context of this thesis, the term ‘ethics’ refers to the standards of performance that guided the researcher with

responsibility for this study in relation to the truths of those who are the subjects of this study, particularly in reference to data gathering and assessment, or indeed who have been affected by it, in accordance with Saunders et al. (2009).

All participants were informed about the purpose of the research, confidentiality & anonymity of participants involved. Also, in order to protect participants' interests, the purpose of the data, data security, transparency and protection of data were conducted in compliance with the law.

#### **4.15 Conclusions**

The research endeavoured to show how microfinance-related business established their operational competence and mainly how poor people have been affected by microfinance-based business.

This chapter discussed the research paradigms and different approaches to research and the chosen research methodology, in addition to the reason for choosing both qualitative and quantitative methods.

This chapter also discussed the difference between qualitative and quantitative research. It also illustrated reasons for selecting the sample, data collection, data analysis and validity of the research, and explored the reason for choosing focus group interviews, along with the research ethics and limitations of the research methodologies.



## CHAPTER 5

### Findings

#### 5.1 Summary

In the previous chapter the methodology for analysis and evaluation was explained and justified. In this chapter, therefore, a quantitative analysis and qualitative analysis is undertaken, which provides evidence regarding the negation of the hypotheses developed. This chapter will show and discuss an analysis of the findings. The findings are based on Bangladeshi microfinance entrepreneurs in Bangladesh.

#### 5.2 Introduction

The first part of this chapter illustrates the outcomes of the questions and interviews. Thereafter it will address three out of the four study questions. The fourth question will be discussed in detail in Chapter Six. The research questions that reinforced this research were:

1. Has micro finance had a significant effect on female entrepreneurship in Bangladesh?
2. What factors influence the sources of finance sought by micro business?
3. What motivates micro business applicants to approach microfinance institutions?
4. Is there any difference between the sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK?

#### 5.3 Research hypotheses

The following hypotheses were proposed and tested in this research. The reason for choosing hypotheses one was that most of the data researchers have received was based on women entrepreneurs.

*Ho1: Micro finance has no significant effect on women entrepreneurs in Bangladesh.*

*Ho2: Micro finance users do not need additional training on how to use microfinance facilities.*

*Ho3: It's not possible to reduce poverty without micro finance*

*Proposition: No significant difference in terms of entrepreneurial activities between UK-based Bangladeshi entrepreneurs and entrepreneurs based in Bangladesh.*

*Testing of hypotheses:*

*Ho1: Micro finance has no significant effect on women entrepreneurs in Bangladesh.*

On the basis of 152 respondents, as shown in Figure 5.1, SPSS data analysis indicates that we can't reject null hypotheses, as p-value is more than 5%, which is a clear indication of microfinance and its contribution to woman entrepreneurs in Bangladesh. The main issue is to find out how successful these entrepreneurs are and why they were targeted. Neglected susceptible Bangladeshi women in Bangladesh don't have any knowledge or way to get finance from traditional banks. According to the following hypothesis result, women in Bangladesh need finance. Therefore, women were targeted by these MFIs.

**Figure 5.1: Microfinance and its effect on *women entrepreneurs***

| <b>Hypothesis Test Summary</b> |  |                          |             |                             |
|--------------------------------|--|--------------------------|-------------|-----------------------------|
|                                | <b>Null Hypothesis</b>   | <b>Test</b>              | <b>Sig.</b> | <b>Decision</b>             |
| <b>1</b>                       | The categories defined by Gender = (female) and (male) occur with probabilities 0.99 and 0.01. | One-Sample Binomial Test | .500        | Retain the null hypothesis. |

Asymptotic significances are displayed. The significance level is .05.

This research indicates that among women entrepreneurs, most or a majority of them engaged in micro and small business segments, and in fact the majority of them lived or live in rural areas and have difficulty accessing financial services. In addition to accessing finance there are lots of other factors required to be a successful entrepreneur, such as use of technology and availability of technology, access to market information and how to use that information, and the concept of the opportunity cost of capital, training, empowerment, work and social life balance.

In the UK, we see fathers as more than just breadwinners or disciplinarians and this change has not just floated into being. It is down to those who have sought to challenge old ideas, to live a different way and to challenge others to do the same. Unfortunately,

in Bangladesh, mainly in rural areas, this kind of social change is yet to happen. Although women are contributing and participating as the breadwinner in Bangladesh, their responsibility and contributions towards family matters are significantly higher than men. A key objective of many microfinance interventions is to empower women. Mosedale (2003) states that if we want to see people empowered it means we currently see them as being disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. According to Mosedale (2003) empowerment cannot be bestowed by a third party but must be claimed by those seeking empowerment through an ongoing process of reflection, analysis and action.

According to United Nations Research Institute for Social Development (2010) most women across the globe rely on the off-the-record work sector or the informal sector, informal economy, or grey economy for an income. With adequate help for women in terms of access to finance and other related entrepreneurial help, women entrepreneurs would have contributed more to the economic growth. The microfinance sector mainly in Bangladesh has taken that initiative. As women represent a significant part of the world population it would be unwise not to turn women's strengths into opportunities for economic growth along with reducing the unemployment rate. According to Argawal (2010) female participation in counselling, working as a group, and businesses is appreciated to increase competence.

A study by the World Survey on the Role of Women in Development (2009) among the Fortune 500 companies found that those with more women board directors had significantly higher financial returns, including 53 percent higher returns on equity, 24 percent higher returns on sales and 67 percent higher returns on invested capital. In Bangladesh, the Prime Minister currently in power is Sheikh Hasina, leading the Bangladesh Awami League, and the opposition leader is Khaleda Zia, leading the Bangladesh Nationalist Party. These two women ministers have been dominating Bangladesh for over 20 years even though they were not able to make a significant change in terms of women empowerment. After getting independence, in popular cities like Dhaka and Chittagong, there has been a crisis of labour supply. Due to cheap exports, the textile industry was in significant demand on the international market. Furthermore, after the 1971 war, the population of Bangladesh didn't have many employment opportunities. Therefore, they had to work for low wages which helped

the textile industry to export products cheaply to the international market. At that point in time women, especially in the urban area of Bangladesh, started to contribute towards the economic growth. Unfortunately, even though Bangladeshi women worked hard, their progression up the ladder was not significant enough. Before the introduction to microfinance in rural areas, Bangladeshi women had very little opportunities to contribute to economic development apart from moving from the rural area to the town and working for the garments industry.

“For on-farm enterprises, appropriate production technologies typically include: those that relate to subsistence food crops and small animals; those that take into account women's labour availability and workload as a constraint; and those that consider women's preferences as the intended users of the technologies” (Shah & Saurabh, 2015, p36). Much research on women in developing countries indicates that they can also help businesses nurture and economies flourish if they have, and if they are able to use, the right knowledge and skills in their employment. Unfortunately, in Bangladesh and also in UK-based Bangladeshi communities many of the barriers to women's empowerment and equality lie ingrained in cultural norms. Many women feel these pressures, while others have become used to being treated as inferior to men (Debarati and Jaishankar, 2012). Even though several studies suggest that female participation in employment plays a significant role, social norms in most cases win the race. According to Sutton and Pollock (2000) the increasing access to the internet can also result in increased exploitation of women. Releasing personal information on websites has put some women's personal safety at risk. Furthermore, Debarati and Jaishankar (2012) indicate that according to “Halt Online Abuse”, 73% of women were victimised through such sites. Types of victimisation include cyber stalking, harassment, and on-line pornography (Morahan, 2000). Without providing adequate support and just offering the loan to poor entrepreneurs may create more issues, rather than a solution to alleviate poverty. In the Andrapradesh area of India there were several cases of suicide due to women's inability to pay, which presented a very negative image of micro finance industry in India.

There are several barriers to female unemployment in the workplace which make women more susceptible to the suggestion to use micro credit. According to Stein (2009), gender-related barriers involve sexual harassment, partial hiring practices,

career progression, and unsatisfactory pay where women are paid less than men for performing the same job. Such barriers make it difficult for women in Bangladesh to advance in their workplace. Therefore, micro-credit firms were able to establish themselves well to persuade women.

*Ho2: Micro finance users do not need additional training on how to use microfinance facilities.*

Again, based on 152 respondents, the following Figure 5.2 illustrates that we do not reject this hypothesis as p-value is more than 5 % and it is adequately clear from the frequency table that about 95.4% of entrepreneurs are interested in training on how to use microfinance facilities. Only 4.6% respondents were not interested in training, maybe due to lack of knowledge, not having enough time for training or maybe working in the same industry for a long period of time. The smaller firms in particular, are reluctant to engage with formal training, regardless of the incentives offered (Jennings and Hawley, 1996; Stanworth and Gray, 1992), although, small-scale entrepreneurs in Bangladesh believe that they may improve their performances after receiving some training.

Figure 5.2: *Micro finance users do not need additional training on how to use microfinance facilities.*

| Hypothesis Test Summary |   |                          |      |                             |
|-------------------------|---|--------------------------|------|-----------------------------|
|                         | Null Hypothesis   | Test                     | Sig. | Decision                    |
| 1                       | The categories defined by Interested in training = (Yes) and (No) occur with probabilities 0.95 and 0.05. | One-Sample Binomial Test | .485 | Retain the null hypothesis. |

Asymptotic significances are displayed. The significance level is .05.

Table 5.1: Interested in training

|       | Frequency | Percent | Valid Percent |
|-------|-----------|---------|---------------|
| Yes   | 145       | 95.4    | 95.4          |
| No    | 7         | 4.6     | 4.6           |
| Total | 152       | 100.0   | 100.0         |

Table 5.1 demonstrates that respondents are interested in training: the main question is who will provide training to these entrepreneurs. Most of the field representatives, known as loan officers, are directly involved in day to day activities with micro finance users in order to collect loan repayments. Most of these loan officers are young graduates. Therefore, providing adequate training could enhance opportunities and wide-ranging facilities for both supply side and demand side factors.

*Ho3: It's not possible to reduce poverty without micro finance*

We reject the null hypothesis, as p-value is less than 5% (Figure 5.3). Microfinance clearly does not have a positive enough effect to eliminate poverty. Only 10% of the sample data suggests that microfinance is a tool to eliminate poverty (Table 5.2). About 90 percent of respondents believe that small loans alone cannot eliminate poverty in Bangladeshi rural areas. They also indicated that even through 16 hours of hard work per day, some of the respondents were unable to reduce their loan amount and their standard of living did not change. Poverty is a global problem and it is estimated that more than half of the world population lives below US \$2.50 per day (Shah, 2011).

**Figure 5.3: It's not possible to reduce poverty without Microfinance**

| Hypothesis Test Summary |  |                          |      |                             |
|-------------------------|--|--------------------------|------|-----------------------------|
|                         | Null Hypothesis  | Test                     | Sig. | Decision                    |
| 1                       | The categories defined by Microfinance is a tool to eliminate poverty = (Yes) and (No) occur with probabilities 0.9 and 0.1. | One-Sample Binomial Test | .000 | Reject the null hypothesis. |

Asymptotic significances are displayed. The significance level is .05.

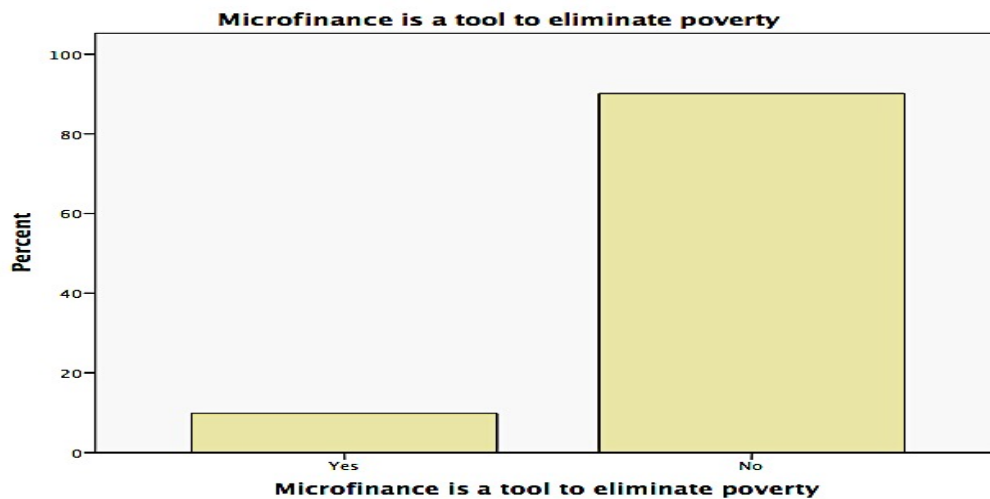
**Table 5.2: Microfinance is a tool to eliminate poverty**

|       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| Yes   | 15        | 9.9     | 9.9           | 9.9                |
| No    | 137       | 90.1    | 90.1          | 100.0              |
| Total | 152       | 100.0   | 100.0         |                    |

As Figure 5.4 demonstrates, about 90 per cent of the respondents responded NO to this question, which indicates they don't believe that microfinance is the only tool to

eliminate poverty. This response may be due to the fact of taking the loan and not able to pay it back. However, through the focus group interview, they discussed lots of facts relating to the positive and negative contributions of the microfinance industry in the Mymensingh region.

**Figure 5.4: Response on microfinance and its contribution to eliminate poverty**



**Table 5.3: Targeting by BRAC Bank**

| Poverty Group | Components                               | Definitions of Target Groups   | Outreach [March 2009]                 | Product details   |
|---------------|--|--|---------------------------------------|---|
| Extreme Poor  | CFPR-Targeting the Ultra Poor (CFPR-TUP) | <ul style="list-style-type: none"> <li>Depends upon female domestic work and begging</li> <li>Owens less than 10 decimals of land</li> <li>No adult active male member in the household</li> <li>No productive asset in the household</li> </ul> | Phase I: 100,000<br>Phase II: 181,461 | <ul style="list-style-type: none"> <li>Asset transfer and subsistence allowance</li> <li>Enterprise development training</li> <li>Social development training</li> <li>Essential Health Care Service</li> <li>No loans provided. After two years under CFPR, members can access IGVD loan products</li> </ul> |
|               | CFPR-OTUP                                | <ul style="list-style-type: none"> <li>Households owning no more than 30 decimals of land</li> <li>Women who are divorced, separated or have disabled husband, aged between 18-49</li> </ul>   | Phase I= 1.3 million                  | <ul style="list-style-type: none"> <li>Livelihood training input support</li> <li>Social development training</li> <li>Starting loan size: Approx. USD 20</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: 46 weekly installments within one year (national holidays and festivals excluded)</li> </ul> |

|                     |                  |  |  |  |
|---------------------|------------------|--|--|--|
| Moderately poor     | DABI             | <ul style="list-style-type: none"> <li>Own up to one acre of land including homestead, sell manual labor for living</li> </ul>                                 | Member: 6.67 m<br>Borrowers: 5.32 m    | <ul style="list-style-type: none"> <li>Loan size: Taka 3,000-30,000</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: 46 weekly installments within one year.</li> </ul>                              |
|                     | UNNATI           | <ul style="list-style-type: none"> <li>Own more than one acre of land and involved in farm and non-farm enterprises</li> </ul>                                 | Member: 1,232,786<br>Borrower: 817,846 | <ul style="list-style-type: none"> <li>Loan size: Taka 15,000-50,000</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: Monthly installments within 12-18 months</li> </ul>                            |
| Vulnerable non-poor | PROGOTI and WEDP | <ul style="list-style-type: none"> <li>BRAC and non-BRAC microentrepreneurs to develop and finance own business</li> <li>Both men and women clients</li> </ul> | Borrowers (Progoti): 242,513           | <ul style="list-style-type: none"> <li>Loan size: Taka 50,000-300,000 (now Taka 50,000-500,000)</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: Monthly installments within 12-24 months</li> </ul> |

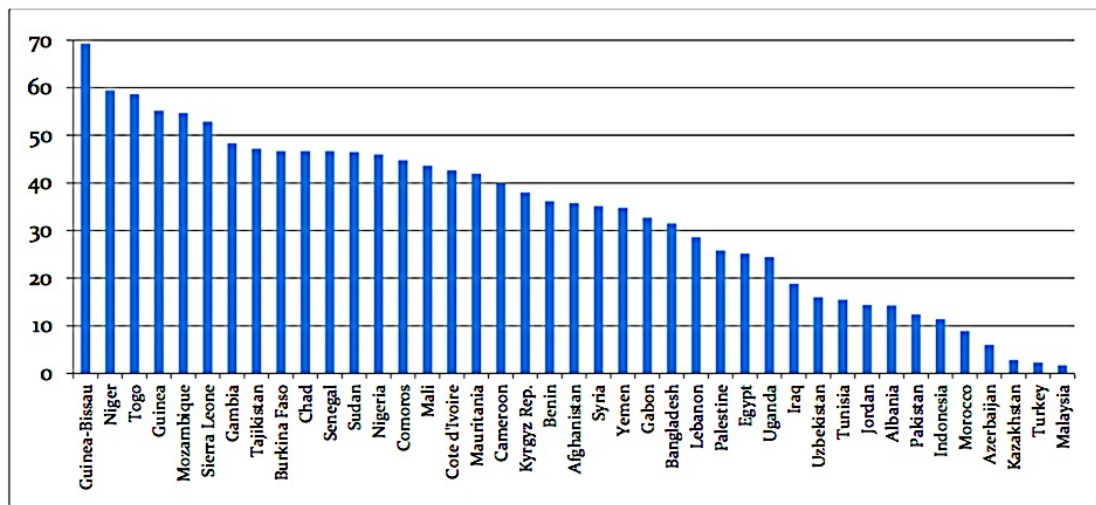
Source: BRAC Annual Report 2005; IGVGD: Income Generation for Vulnerable Group Development

Table 5.3 shows how one of the leading microfinance banks in Bangladesh, BRAC, differentiates between its poor clients. An extremely poor woman tends not to have any job or is working in domestic cleaning service, or is begging, with no active adult male member in most cases, nor any productive assets. Arguably, this kind of extremely poor client may not be fit for doing any kind of business. As discussed in the literature review chapter, BRAC recently recognised this issue. Apparently, one of the main aims of BRAC is to educate and help ultra-poor people first. Thereafter if these ultra-poor people fulfil BRAC's requirements then BRAC provides loan money to prospective entrepreneurs.

The majority of the Bangladeshi population are Muslim. The majority of Bangladeshi small-scale entrepreneurs in the UK are also Muslim. Alpay (2013) noted that 15.6 % of the total of The Organisation of Islamic Cooperation population are still living on less than 1\$ a day, which is well above the world average of 11.6% and developing countries average of 11.7% in the 2008-2010 period. Alpay (2013) also notes that 31% of the Organisation of Islamic Cooperation total population are still living below the income poverty threshold of \$1.25 a day by remaining quite above the world average of 14% and developing countries average of 17% during the 2008-2010 period . Moreover, 42% of the total Organisation of Islamic Cooperation population is also noted to be living below the poverty threshold of \$2 a day. Besides African countries, Bangladesh also stands out as having a very high incidence of poverty. In respect of the percentage of the population living below the national poverty lines, The Organisation of Islamic Cooperation members in sub-Saharan region once again have the highest ratios, reaching up to 70% in Guinea-Bissau (Figure 5.4).



**Figure 5.5: Poverty headcount ratio at national poverty lines (% of population)**



Source: World Bank WDI Indicators (latest data available during 2004-2014).

Figure 5.5 stipulates that Malaysia, Turkey and Kazakhstan have the lowest rates of poverty. It is imperative to know about real poor people; where they live; what kind of assets they possess; what their education, health and housing conditions are; and what economic opportunities are available to them. With regard to Bangladesh, the empirical data suggests that microfinance didn't contribute enough to eliminate poverty. It is not possible to imagine sustainable socio-economic development in these countries without a significant rise in the standard of living of the population, especially in poor towns / areas in Bangladesh in terms of consumption, health, housing, and education. Investing in people must, therefore, be the highest priority for these countries as long as human capital limitations confine development or keep people in utter poverty.

#### 5.4 Perceptions of the importance of microfinance availability

Table 5.4 and Figure 5.5 represents 93% of data the importance of Microfinance in Bangladesh.

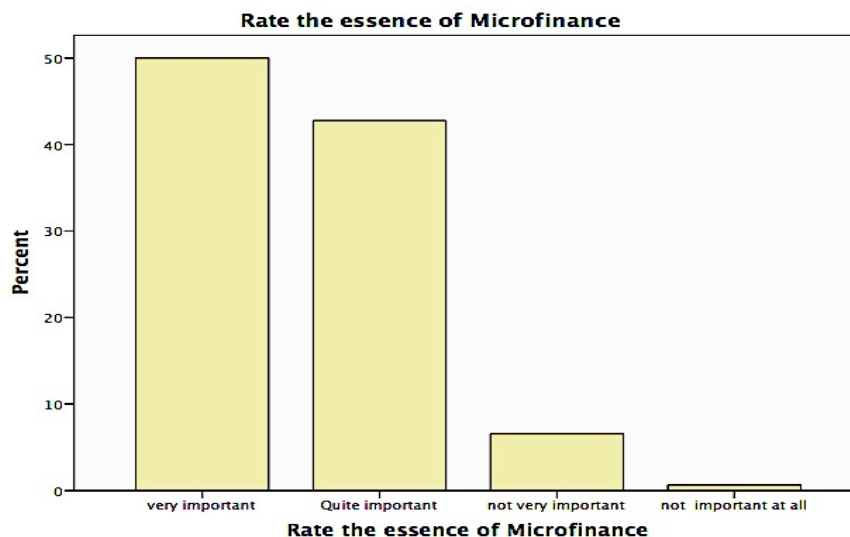
**Table 5.4: Perceptions of the importance of microfinance availability**

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
|-----------|---------|---------------|--------------------|

|                             |     |       |       |       |
|-----------------------------|-----|-------|-------|-------|
| <b>Very important</b>       | 76  | 50.0  | 50.0  | 50.0  |
| <b>Quite important</b>      | 65  | 42.8  | 42.8  | 92.8  |
| <b>Not very important</b>   | 10  | 6.6   | 6.6   | 99.3  |
| <b>Not important at all</b> | 1   | .7    | .7    | 100.0 |
| <b>Total</b>                | 152 | 100.0 | 100.0 |       |

Table 5.4 shows that most of the data was collected from a rural area of Bangladesh and this data provides some indication of the popularity of the microfinance industry in Bangladesh. 50 per cent of respondents indicated that it's 'very important' whereas about 43 per cent responded as 'quite important'. Furthermore, about 93 percent responded between 'very important' and 'quite important'. Markowski (2002, p.117) states they have a dual mission: a social mission *"to provide financial services to large numbers of low-income persons to improve their welfare"*, and a commercial mission *"to provide those financial services in a financially viable manner"*. Data suggests that respondents perceived microfinance as quite important for their financial prospective although there is no clear indication of financial or social improvement. Simanowitz & Walter (2002) argue that microfinance is all about financial growth rather than social improvement, as there is more emphasis on financial and institutional performance.

**Figure 5.6: Importance of the existence of micro finance**



Only 7 % responded between "not very important" and "not important at all" as they have seen bad consequences and couldn't see any economic development, or they failed to use finance effectively. However, Figure 5.6 shows most of the respondents believe that microfinance is 'very' and 'quite' important for them.

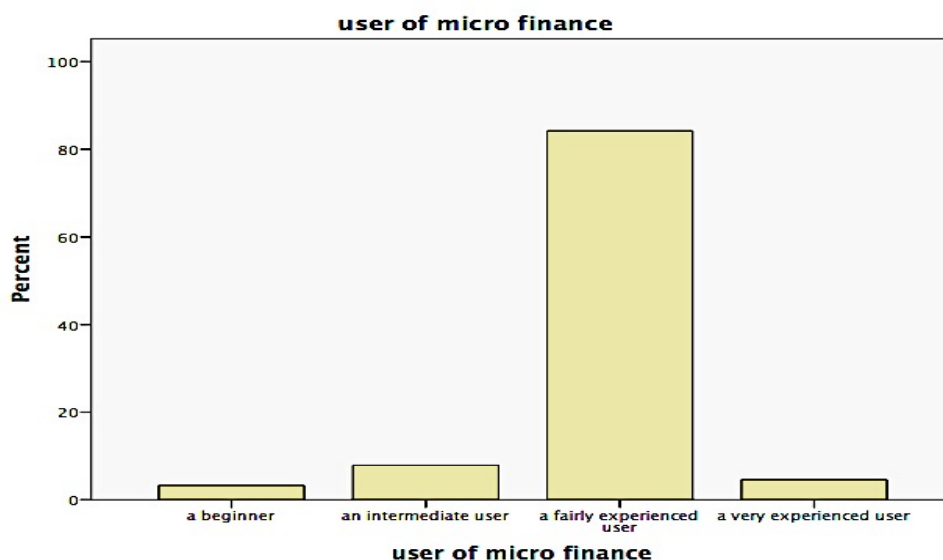
### 5.5 Users of microfinance

About 84% of respondents are fairly experienced users. They've been using micro loans from one MFI or another for a few years, and 8% are intermediates in terms of using micro loans for about a year. Even though 84% of users are fairly experienced users, a very limited growth of entrepreneurial activities is noticeable.

**Table 5.5: Users of microfinance**

|                                  | Frequency | Percent | Cumulative Percent |
|----------------------------------|-----------|---------|--------------------|
| <b>A beginner</b>                | 5         | 3.3     | 3.3                |
| <b>An intermediate user</b>      | 12        | 7.9     | 11.2               |
| <b>A fairly experienced user</b> | 128       | 84.2    | 95.4               |
| <b>A very experienced user</b>   | 7         | 4.6     | 100.0              |
| <b>Total</b>                     | 152       | 100.0   |                    |

**Figure 5.7: Users of microfinance**



According to Table 5.5, among those 84 per cent most of the respondents were taking loans from three different microfinance institutions. They were borrowing over two years. Few respondents specified that in the past they were doing entrepreneurial activities for more than 10 years without any sort of MFI help.

## 5.6 Importance of microfinance facilities

Different MFIs were providing different services and / or facilities to users of finance. Table 5.5 and Figure 5.7 certainly suggest that help with finance alone is not good enough: how finance is given, the monitoring and recording of repayment of finance plays a significant role in the success of financial sustainability for the future. Most of the respondents, about 99.3 percent, answered that microfinance facilities are important to them and facilities provided by current MFIs show huge room for improvement. Only one respondent believes that the facilities, such as for example how to use loan money effectively, are not very important.

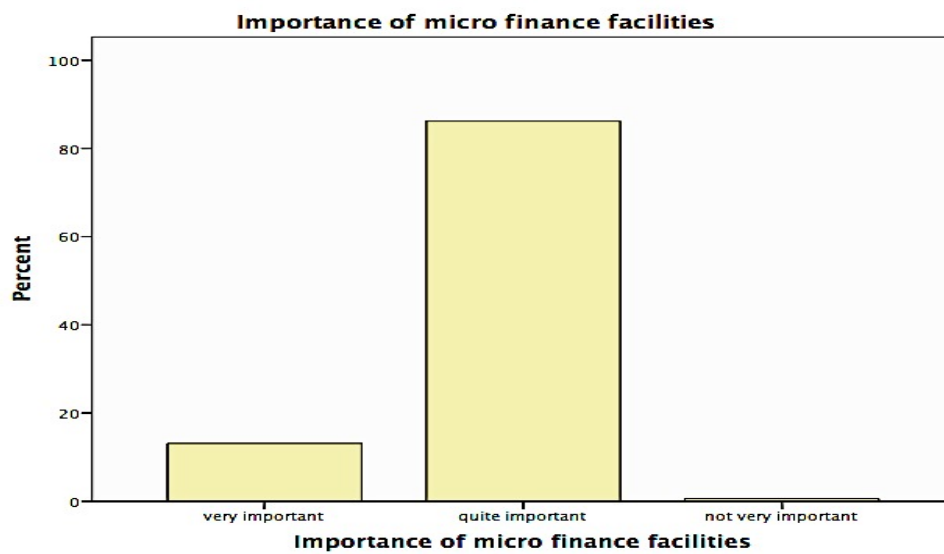
*“Developing a broader range of quality, transparent, and affordable financial services—informed by client needs—is an imperative of financial inclusion today. The G-20, national policymakers, providers, and donors all agree that people should have access to: savings, payments, credit, and insurance”* (CGAP, 2016). Table 5.5 also suggests the need of a broader range of products desired by microfinance users.

*“ Ensuring the availability of a broader range of products is good not just good for clients, but also for financial service providers. ”*

Source: CGAP (2016)

**Table 5.6: Importance of microfinance facilities**

|                           | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------|-----------|---------|---------------|--------------------|
| <b>very important</b>     | 20        | 13.2    | 13.2          | 13.2               |
| <b>quite important</b>    | 131       | 86.2    | 86.2          | 99.3               |
| <b>not very important</b> | 1         | .7      | .7            | 100.0              |
| <b>Total</b>              | 152       | 100.0   | 100.0         |                    |

**Figure 5.8: Importance of microfinance facilities****Table 5.7: Case processing summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 152   | 100.0%  | 0       | 0.0%    | 152   | 100.0%  |

**Table 5.8: Importance of microfinance facilities \* user of microfinance**  
**Cross tabulation Count**

|                                       |                    | User of microfinance |                      |                           |                         | Total |
|---------------------------------------|--------------------|----------------------|----------------------|---------------------------|-------------------------|-------|
|                                       |                    | a beginner           | an intermediate user | a fairly experienced user | a very experienced user |       |
| Importance of microfinance facilities | very important     | 1                    | 2                    | 14                        | 3                       | 20    |
|                                       | quite important    | 4                    | 10                   | 114                       | 3                       | 131   |
|                                       | not very important | 0                    | 0                    | 0                         | 1                       | 1     |
| Total                                 |                    | 5                    | 12                   | 128                       | 7                       | 152   |

According to Cross Tabulation Count between importance of microfinance facilities and user of microfinance, quite important VS a fairly experienced user scored the most 114. This table illustrates research questions two and three.

According to the Cross Tabulation Count between the importance of microfinance facilities and the users of microfinance, quite important VS a fairly experienced user scored the most: 114. This table illustrates research questions two and three.

**Table 5.9: Chi-square tests**

|                                     | Value               | df | Asymp. Sig. (2-sided) |
|-------------------------------------|---------------------|----|-----------------------|
| <b>Pearson Chi-Square</b>           | 27.858 <sup>a</sup> | 6  | .000                  |
| <b>Likelihood Ratio</b>             | 11.879              | 6  | .065                  |
| <b>Linear-by-Linear Association</b> | .003                | 1  | .954                  |
| <b>N of Valid Cases</b>             | 152                 |    |                       |

8 cells (66.7%) have expected count less than 5. The minimum expected count is .03.

The Chi-Square test, again the act of combining scores (cells), will reduce the degree of freedom but increase the p-value. The p-value has not increased sufficiently to overturn the rejection of the null hypothesis.

**Table 5. 10: Chi-square tests**

|  | Value             | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|--|-------------------|----|-----------------------|----------------------|----------------------|
| <b>Pearson Chi-Square</b>                | .356 <sup>a</sup> | 1  | .551                  |                      |                      |
| <b>Continuity Correction<sup>b</sup></b> | .015              | 1  | .903                  |                      |                      |
| <b>Likelihood Ratio</b>                  | .321              | 1  | .571                  |                      |                      |
| <b>Fisher's Exact Test</b>               |                   |    |                       | .629                 | .410                 |
| <b>Linear-by-Linear Association</b>      | .353              | 1  | .552                  |                      |                      |
| <b>N of Valid Cases</b>                  | 140               |    |                       |                      |                      |

1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.37.

Computed only for a 2x2 table.

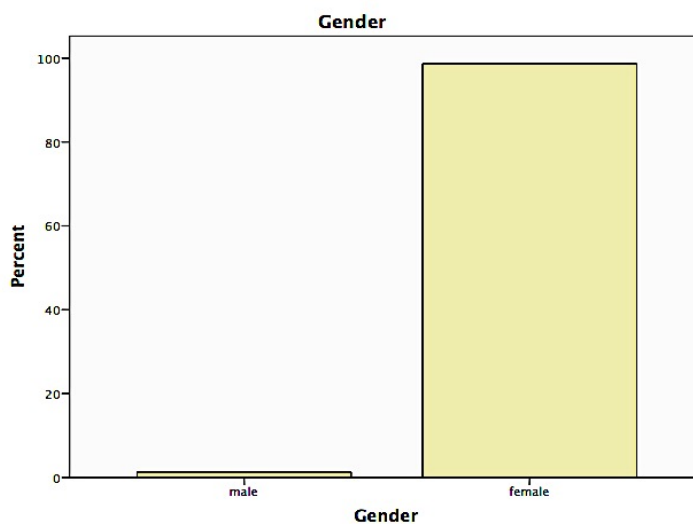
### 5.7 User by gender

Out of 152 users, 150 (about 99%) were female. Evidently, Table 5.11 shows microfinance projects were targeted at women. As discussed in Chapter Two and Chapter Three, according to the history of Bangladesh, normally women devoted most of their time to children and family. However, credit alone is not adequate enough to empower women and to contest existing gender norms. Al-Amin and Chowdhury (2008) critically argued on women's control over credit and savings.

**Table 5.11: User by gender**

|               | Frequency | Percent | Valid Percent |
|---------------|-----------|---------|---------------|
| <b>Male</b>   | 2         | 1.3     | 1.3           |
| <b>Female</b> | 150       | 98.7    | 98.7          |
| <b>Total</b>  | 152       | 100.0   | 100.0         |

**Figure 5.9: Microfinance users by gender**



### 5.8 Age group

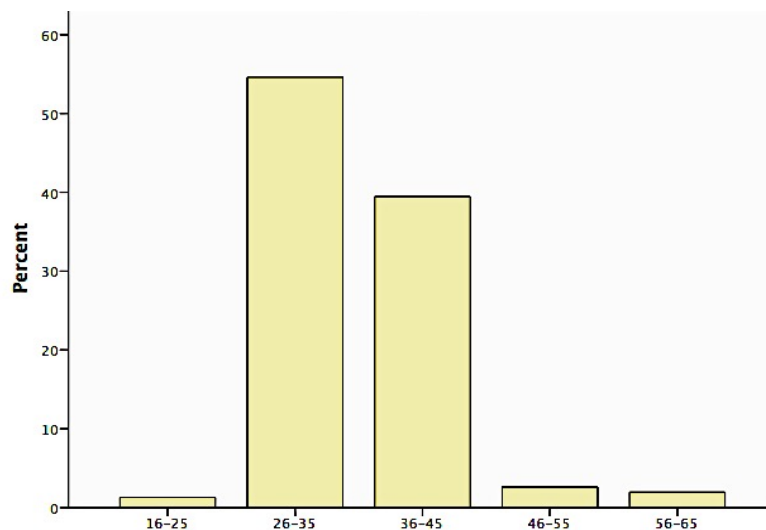
About 94% of the sample data indicates that most of the users of microfinance are in the age group 26 to 45. Only 6% belong to the 16-25, 46 to 55 and 56-65 age groups.

This could be related to the young family, specially the age group between 26-35, striving for growth or survival. As the microfinance industry in Bangladesh started in the 70s recently the 2<sup>nd</sup> and even 3<sup>rd</sup> generations started to take part in the industry. However, if the microfinance industry had been doing well, then the 2<sup>nd</sup> and 3<sup>rd</sup> generations would have been wealthier. Therefore, successful entrepreneurs would have associated with the medium or large scale of business operation rather than working and or being heavily dependent on microfinance-based business.

**Table 5.12: Age group**

|              | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| <b>16-25</b> | 2         | 1.3     | 1.3           | 1.3                |
| <b>26-35</b> | 83        | 54.6    | 54.6          | 55.9               |
| <b>36-45</b> | 60        | 39.5    | 39.5          | 95.4               |
| <b>46-55</b> | 4         | 2.6     | 2.6           | 98.0               |
| <b>56-65</b> | 3         | 2.0     | 2.0           | 100.0              |
| <b>Total</b> | 152       | 100.0   | 100.0         |                    |

**Figure 5.10: Respondents of micro finance users by age group**

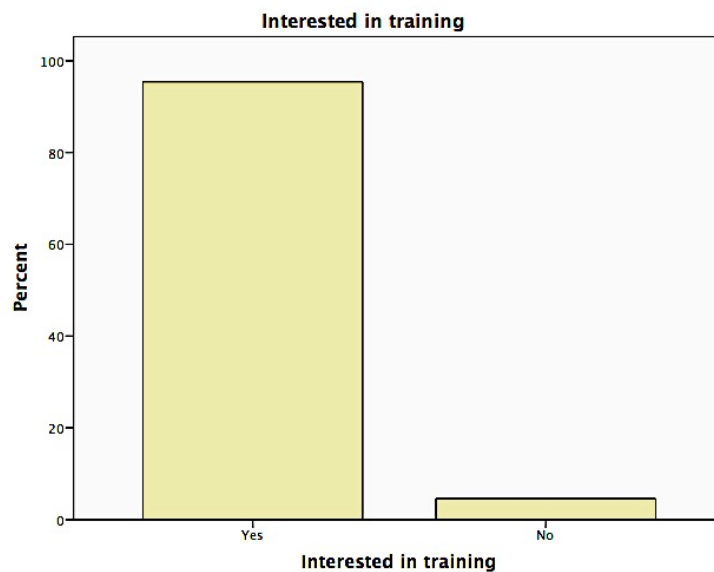


## 5.9 Interested in training



One of the main reasons for this research was to find out whether training is an important factor for these microfinance users. The following data indicates 95% of respondents would like to receive training in order to enhance their performance. Therefore, better training facilities may enhance microfinance users' entrepreneurial activities, as discussed in the literature review chapter.

**Figure 5.11: Importance of training in the micro finance industry**



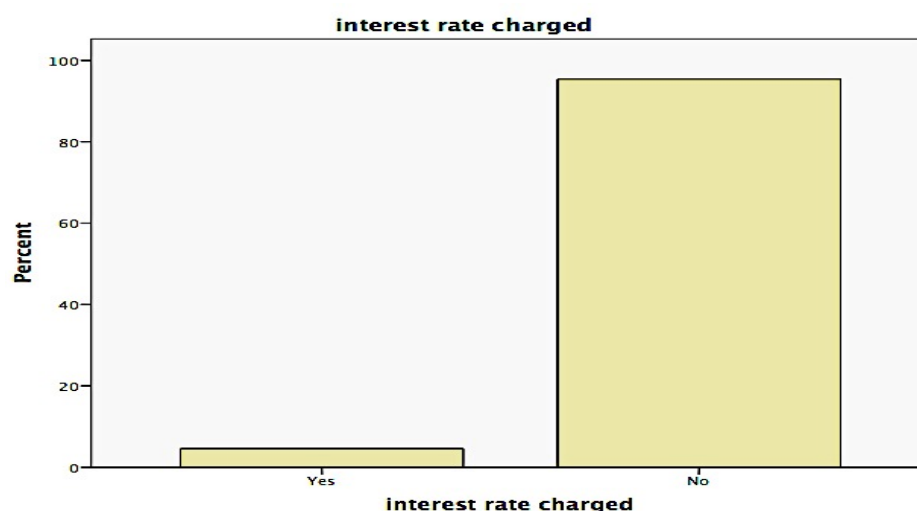
### 5.10 Interest rate charged

Most of the users of microfinance were not sure about the exact rate of interest respondents are paying, as field representatives do not clearly explain this to the users. Respondents believed that the interest rate they pay for a little amount of money is quite high.

In Bangladesh from the start of the microcredit programme in the late 1970s, there has been strong criticism of the high interest rates charged by MFIs. In recent years, one of the main criticisms which caught the attention of academics and practitioners about MFIs has been its high interest rate. MFIs' irrationally high interest rate to poor entrepreneurs is one of the contrary aspects of alleviating poverty. Figure 5.11 illustrates and supports this argument about the high interest rate. Over 95 percent of respondents answered 'Yes, microfinance users believe that they are paying high

interest rates' as opposed to only 4.6 percent of respondents being happy with the interest, even though they are unable to pay back the loan money.

**Figure 5.12: Respondents' view on excessive interest rates**



**Table 5.13: Effective interest rate by region and intervals**

| Products                          | Highest EIR | Lowest EIR | Average EIR |
|-----------------------------------|-------------|------------|-------------|
| Rural Microcredit                 | 35.75       | 28.11      | 32.05       |
| Urban Microcredit                 | 34.73       | 28         | 32.35       |
| Microenterprise (weekly payment)  | 34.67       | 28.39      | 31.59       |
| Microenterprise (monthly payment) | 30.39       | 25.30      | 26.65       |
| Ultra Poor Programme              | 26.55       | 18.15      | 23.91       |
| Seasonal                          | 35.74       | 21.32      | 26.68       |
| Agriculture                       | 34.73       | 24.88      | 28.46       |

Source: Pali Karma-Sahayak Foundation (PKSF)

Calculations of interest rates tend to be very complicated. Numerous factors govern the effective interest rate (EIR), which is the real price of the loan that the borrower pays: a) the stated interest rate; b) the method used to calculate the interest rate—simple versus compound interest rate; c) the method in which the principle of the loan is treated in calculating the interest rate—the declining balance method or flat method. The highest and lowest average effective annual interest rate charged by several partner organisations of Pail Karma-Sahayak Foundation(PKFS) show a range of 24% to 32%. PwC (2017) in Appendix 4, illustrates the interest caps in Bangladesh. For the poor

entrepreneurs, 30 percent interest and on top of it other chargers are creating issues for their progress.

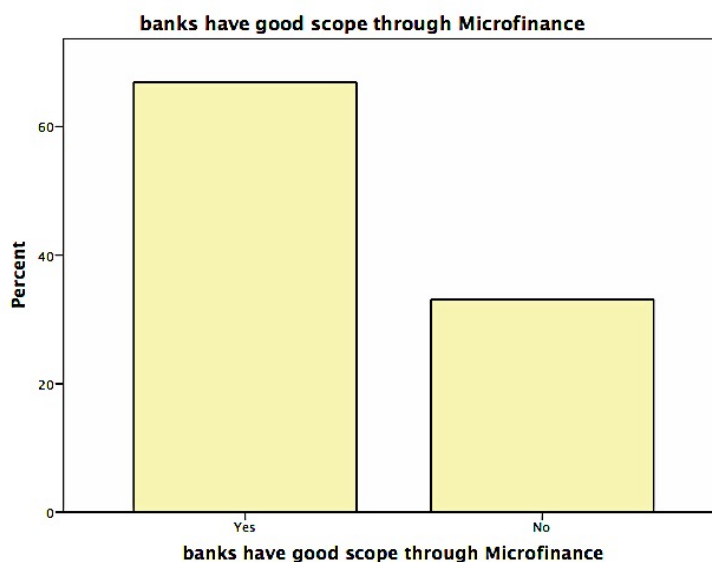
### 5.11 Banks have good scope through microfinance:

The purpose of this question was to ascertain whether banks, not MFIs, could provide similar types of loan to small-scale entrepreneurs in order to maximise profit. About 61% of respondents answered 'Yes' to this question, 30% 'No' and 8.6% did not answer.

**Table 5.14: Banks have good scope through microfinance**

|                |       | Frequency | Percent | Valid Percent |
|----------------|-------|-----------|---------|---------------|
| <b>Valid</b>   | Yes   | 93        | 61.2    | 66.9          |
|                | No    | 46        | 30.3    | 33.1          |
|                | Total | 139       | 91.4    | 100.0         |
| <b>Missing</b> | 99.00 | 13        | 8.6     |               |
| <b>Total</b>   |       | 152       | 100.0   |               |

**Figure 5.13: Banks and entrepreneurs scope through microfinance**



### 5.12 Loan from banks or MFIs

Table 5.14 above shows 80% of respondents prefer MFIs instead of banks, maybe due to the fact that most respondents were not able to receive any assistance from banks.

**Table 5.15: Statistics loan from banks or MFIs**

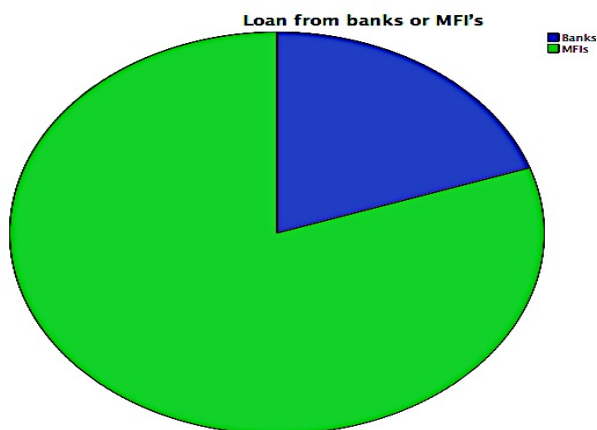
|                    |              |            |
|--------------------|--------------|------------|
| <b>N</b>           | <b>Valid</b> | <b>152</b> |
|                    | Missing      | 0          |
| <b>Median</b>      |              | 2.0000     |
| <b>Mode</b>        |              | 2.00       |
| <b>Percentiles</b> | 25           | 2.0000     |
|                    | 50           | 2.0000     |
|                    | 75           | 2.0000     |

**Table 5.16: Loan from banks or MFIs**

|              |       | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--------------|-------|------------------|----------------|----------------------|
| <b>Valid</b> | Banks | 30               | 19.7           | 19.7                 |
|              | MFIs  | 122              | 80.3           | 80.3                 |
|              | Total | 152              | 100.0          | 100.0                |

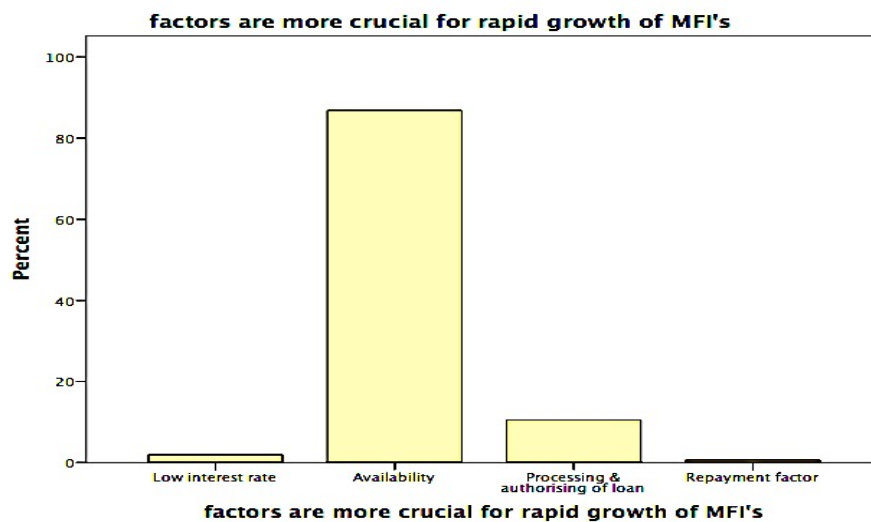
### 5.13 Factors are more crucial for rapid growth of MFIs

87% of the respondents believe that availability of finance was the most important factor for rapid growth of MFIs in Bangladesh.

**Figure 5.14: Preference of finance institutions by demand side**

**Table 5.17: Factors are more crucial for rapid growth of MFIs**

|              |                                  | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|----------------------------------|-----------|---------|---------------|--------------------|
| <b>Valid</b> | Low interest rate                | 3         | 2.0     | 2.0           | 2.0                |
|              | Availability                     | 132       | 86.8    | 86.8          | 88.8               |
|              | Processing & authorising of loan | 16        | 10.5    | 10.5          | 99.3               |
|              | Repayment factor                 | 1         | .7      | .7            | 100.0              |
|              | Total                            | 152       | 100.0   | 100.0         |                    |

**Figure 5.15: Factors are more critical for rapid growth of MFIs**

### 5.14 Microfinance has helped in rural Bangladesh

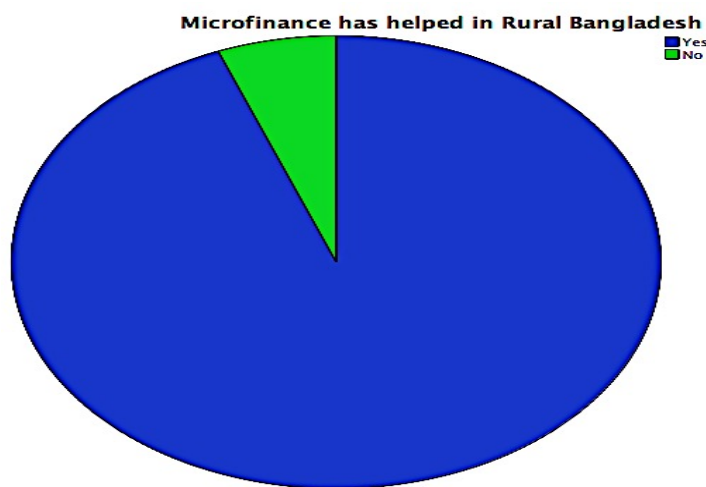
Evidently, 94% of respondents believe that microfinance has helped them a lot. As Bangladesh was relatively newly- independent, with issues relating to the two major political parties, the government was unable to provide enough assistance to the poor people of Bangladesh.

**Table 5. 18: Microfinance has helped in rural Bangladesh**

|               |                |            |
|---------------|----------------|------------|
| <b>N</b>      | <b>Valid</b>   | <b>152</b> |
|               | <b>Missing</b> | <b>0</b>   |
| <b>Median</b> | 1.0000         |            |
| <b>Mode</b>   | 1.00           |            |

|                               |    |        |
|-------------------------------|----|--------|
| <b>Skewness</b>               |    | 3.773  |
| <b>Std. Error of Skewness</b> |    | .197   |
| <b>Minimum</b>                |    | 1.00   |
| <b>Maximum</b>                |    | 2.00   |
| <b>Percentiles</b>            | 25 | 1.0000 |
|                               | 50 | 1.0000 |
|                               | 75 | 1.0000 |
|                               |    |        |

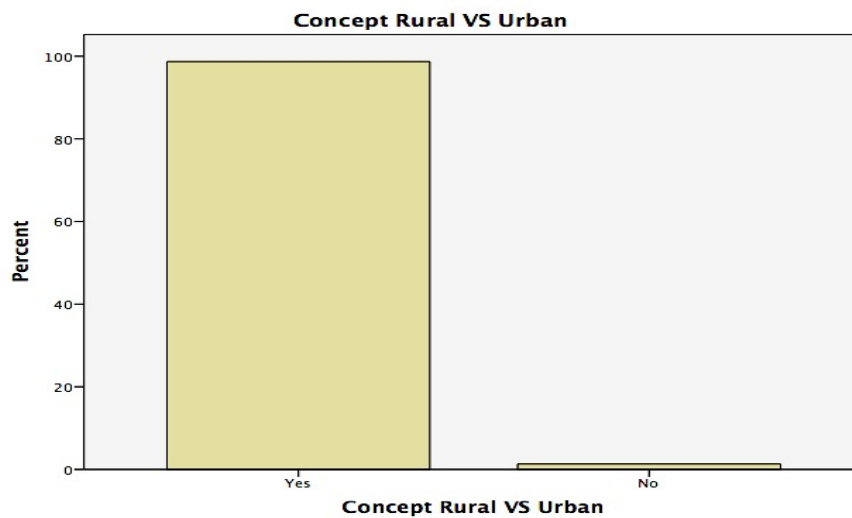
**Figure 5.16: Microfinance and its contribution to rural Bangladesh**



As illustrated in Figure 5.16, according to 94 per cent of respondents, microfinance did help rural areas of Bangladesh, more specifically the Mymensingh district which is the study area in this case.

### 5.15 Concept of rural vs urban

Almost all respondents(98.7) per cent believe that micro finance will work mainly in rural areas. In Bangladesh, rural areas do not have enough opportunities for employment or business. Therefore, the cost of living is very low. However, in urban areas, the low loan amount may not be able to give a good return and it is hard to survive, due to lack of adequate capital and lack of knowledge on how to combat in business , mainly in fast-growing urban areas.

**Figure 5.17: Comparison of micro finance concept rural vs urban areas**

### 5.16 Microfinance and its contribution to unemployed urban youth

Even though respondents believed microfinance is mainly applicable to rural areas, they also believe that the microfinance concept will contribute to reducing the unemployment rate in urban areas too.

**Figure 5.18: Microfinance contribution to unemployed urban youth**

Figure 5.18 illustrates the micro finance industry's contribution to the reduction of urban youth unemployment. 98.7 percent of respondents agree with that. MFIs managed to improve the unemployment rate as the government was unable to reach out to the poor young people in Mymensingh district.

### 5.17 Domination of microfinance Institutions (MFI)

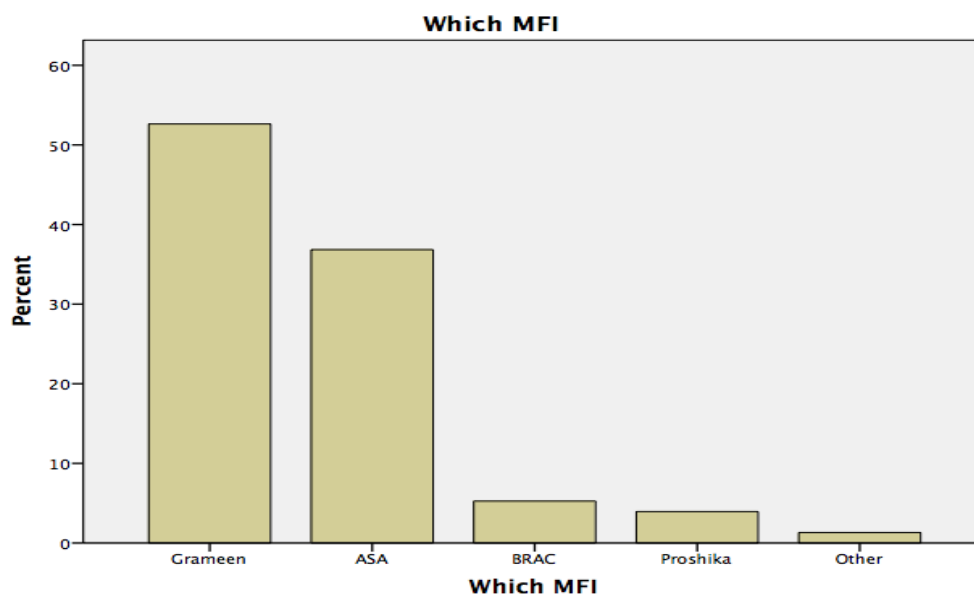
Four major MFIs are dominating the Mymensingh District area of Bangladesh. Grameen and ASA have about 90% of the shares.

**Table 5.19: Dominance of microfinance institutions in terms of clients**

|                 | Frequency | Percent | Cumulative Percent |
|-----------------|-----------|---------|--------------------|
| <b>Grameen</b>  | 80        | 52.6    | 52.6               |
| <b>ASA</b>      | 56        | 36.8    | 89.5               |
| <b>BRAC</b>     | 8         | 5.3     | 94.7               |
| <b>Proshika</b> | 6         | 3.9     | 98.7               |
|                 |           |         |                    |
| <b>Other</b>    | 2         | 1.3     | 100.0              |
| <b>Total</b>    | 152       | 100.0   |                    |

According to Table 5.19, this research shows that the top few firms are dominating the micro finance industry in Mymensingh district, one of the big districts of Bangladesh. This is also an indication of unfair competition, and mainly poor clients are badly affected. More information on types of business operations by microfinance-based entrepreneurs can be found in Appendix 7. Details of the top 50 MFI's operations are shown in Appendix 3.

**Table 5.20: Dominance of microfinance institutions in terms of members**





### **5.18 The future of microfinance and entrepreneurship**

This was an open question and most of the respondents were unsure about the future of micro finance. A few said, 'Not good', as they are not actively using finance for business purposes. A few said, 'monitoring and hard work could bring a better future for the next generation'.

### **5.19 Focus group data analysis**

Berkowitz (1997) suggests considering six questions when coding and analysing qualitative data: common themes emerge in response to specific topics, and patterns (or lack thereof) help to illuminate the broader central question; any deviations from these patterns; participants' environments or past experiences related to their behaviour and attitudes; interesting stories emerging from the responses and how they help to illuminate the central question(s); these patterns suggest that additional data may be needed; therefore the central questions need to be revised; the patterns that emerge similar to the findings of other studies on the same topic or, if not, this might explain these discrepancies.

Bogdan and Biking (1998) provide common types of coding categories but emphasise that authors' central questions shape their coding scheme: Setting/Context codes; Defining the situation codes; Respondent perspective codes; Respondents' ways of thinking about people and objects codes; Process codes ; Activity codes ; Event codes; Strategy codes; Relationship and social structure codes and finally Method codes. These all identify the research approaches, procedures, dilemmas, and breakthroughs.

Some common ideas emerge in response to the question of micro finance and its usefulness. The main reasons these people get loans are to repair their house roof, to buy mainly rice and vegetables, and to organise and spend money on weddings for their daughters. A few respondents were taking out a loan from one MFI to repay another MFI. In Bangladesh, due to the huge number of microfinance institutions and MFIs tending to compete with each other, this type of unintended competition leads to the creation of issues in the community. These difficulties comprise borrower over-

indebtedness, reduction of loan repayment incentives, and increase in unpaid debts (Luoto, McIntosh, & Wydick, 2007). Some of the fairly experienced users of microfinance were not able to improve their lifestyle. Most of them responded ‘Like to have more loans’, hence more MFIs. The Grameen Bank and ASA mainly dominate in the Mymensingh region.

Qualitative data analysis revealed six overarching themes across the ten focus group types that address the usefulness of micro finance, as well as entrepreneurial skills-related areas. Within each of the major themes, a number of sub-themes were identified. Sub-themes will be discussed within the presentation of each theme.

Overarching focus group themes:

- 1) Positive experiences with micro loan
- 2) Stereotyping and negative experiences with micro loan
- 3) Barriers
- 4) Training-related issue
- 5) System challenges / barriers to growth and progress
- 6) Field representatives’ recommendations

## **5.20 Respondent satisfaction of microfinance**

Across many focus groups, participants reported satisfaction with services and positive feelings about the money they are getting. Main participants reported that they were getting money easily. A prominent sub-theme identified within this overarching theme is that many respondents who reported satisfaction with micro loans reported receiving services from several MFIs.

Some of the respondents stated the following similar statements:

*“I like that several microfinance banks give us money and with the money we can at least survive”*

*“Without MFI we don't have any other hope from anywhere”*

*“I am grateful for the help that microfinance has given me here in this area. I think, without this loan, me and my family wouldn’t survive. It is very significant for me and*

*my family members. As I don't have any other alternative, this loan is very important in my life."*

*"I like the Grameen service because the Grameen field representative treats me as if I am one of them. I am happy with some of them as they are willing to talk to me, and they do have feelings for us too. Without these kinds of loan, we would have a very difficult time. Our government do not support us at all."*

One of the respondents stated the following: *"[I feel] appreciative of the help that microfinance given us here in this village because, without it, I think that without this loan, we wouldn't survive. It is very important in our lives, well at least in mine. This loan is very important in my life."*

*"I like the BRAC service because the BRAC field representative treats me as a human being. I can talk to him about anything, and I can see that he is listening and that he is concerned. He gives me feedback, and I can say things you can't say to another one. I mean, you can say things that you can't say to another person. I've had a lot of help and it's been a while since I've been in that very bad state as I wasn't able to buy any food, so I'm very thankful to Allah for these people, because I feel that I got the help I needed".*

### **5.21 Stereotyping and negative experiences with micro loans**

Across most focus groups, respondents reported a number of negative experiences with a micro loan in which they felt stereotyped, disrespected, or dismissed by providers. Many respondents reported similar experiences in broader society, and some expressed concern about the Bangladeshi banking systems and its bad practices.

One respondent believed that the provider implied something negative – that she sold her land or something else to pay off the high interest. In discussing how she felt about this encounter the respondent stated: *"I work every day about 16 hours a day, including looking after my four kids, but I'm not able to save some money for the future, for refining my business activities. I don't understand when I will have some savings, and how I will be able to achieve that."*

In addition to reports of impression stereotyped and insulted, respondents discussed a range of experiences in which they felt the micro loan was not good enough, some field representatives were impolite, their expressions of distress were misunderstood, they were not listened to, or they felt invisible to representatives. More than 100,000 from poor middle-class families work for MFIs as credit officers. According to one of the credit officers: *“I have to work till 10pm most days as my boss does not authorise me to leave the borrower’s house until I receive an instalment of the loan.”*

According to some microfinance-based entrepreneurs, field representatives (loan collectors) are under pressure to achieve their target of loan collections for a day or week. Borrowers feel some concern about loan collectors. One borrower says:

*“We often hear when the manager is telling the credit officer if they do not collect money from us then the manager will cut money from the credit officer’s salary. Young credit officers always appear to be afraid of losing their job. The managers tend to use very abusive language to credit officers.”*

## **5.22 Trust and microfinance users**

In all focus groups, participants discussed a variety of factors that either fostered or impeded the development of trust and a positive working association with providers. A lack of confidentiality was noted as one such factor. Respondents raised concerns about providers using information discussed with them. As stated by one respondent: Whether the representative is from BRAC, Grameen or any other MFI – it doesn’t matter which religion a person is, first you have to trust. And then you still won’t come clean because of what they put down in your record. Whatever you say, they hold it against you. So now you have to think, I want to talk to this guy, but some things that I say he is going to hold against me.

Respondents also raised concerns about personal information being shared in meetings with other providers. Discussing this, one participant said:

(Respondent) Can I say something about this question that you are just asking? I used to get a loan from Grameen Bank for about two years, and I had trouble with a Grameen field representative with something very personal.

(Moderator) You're talking about the importance of trust?

(Respondent) Yeah, but then they go into their little meetings and discuss our cases, even though it's supposed to be kept confidential.

Respondents in this and different focus groups noted that provider willingness to bend the rules and communicate a willingness to be helpful. In turn, this would lead to respondents opening up with providers and sharing more in sessions.

Unable to read and write is one to the big barriers for the large number of respondents.

*"We always put our signature in the log book, whatever the field representative writes on the book. I took only \$100 loan but keep on paying for it for a long period."*

### **5.23 Service-related issues including training**

For many, the need to engage in training emerged from situations in which they felt that providers were not listening to them, or they were pushing recommendations that were different from what they wanted or felt they needed. For instance, one respondent discussed an experience in which she was facing challenges with her sources of knitting materials, and her provider only attended to her loan need. This participant described feeling that her provider was pushing her away by not addressing her needs properly; I had a problem with buying materials, and the field representative's first response was: 'I'm going to get you some loan. You need to buy and think what to buy. I have only given you loan money and collect money from you - nothing else.' I felt that she was just pushing me away.

Many respondents discussed persistence in speaking up as an important component of advocating for their needs. Many stated that they believed that if they expressed their needs consistently enough, and with intense emotion if necessary, providers would eventually listen.

Respondents noted many similar situations in which they had to advocate for their needs to be met. Further, some noted that at times they sensed that providers did not like their asking questions or pushing for their needs, but because they were trying to

advance their recovery, they remained persistent, without fully understanding how they would benefit loan seekers.

#### **5.24 Systemic challenges / barriers to growth and progress**

Systemic challenges and barriers to micro finance were prominent themes that arose in all focus groups. Respondents discussed a range of experiences that they felt impeded effective support to address their needs. Numerous barriers were particularly noticeable across focus groups and gave rise to many examples in which respondents noted how they made it more difficult for them to get help.

Some of these include:

- 1) Providers don't have enough time for them.
- 2) Respondents want regular advice on business improvement and how to operate the business.
- 3) Respondents are only being seen in groups.
- 4) Respondents believe that representatives don't care about them; they only care about money.
- 5) The procedure of recording on paper instead of using advanced IT and the mobile banking system.
- 6) Providers' misunderstanding of respondents' needs, as some respondents were not using the money to improve their business.
- 7) Respondents feeling controlled by a few MFIs.
- 8) All MFIs undertakings followed very similar processes.

Addressing these and other systemic barriers to a micro loan, respondents described poignantly a number of experiences in which they struggled to receive appropriate help and training.

#### **5.25 Field representatives recommendations**

Only three focus groups had field representatives. In the relevant focus groups, field representative respondents offered a range of recommendations, as follows:

Help users by facilitating the creation of a business community via construction of mutually supportive local business networks.

Organise events and provide services and support to the local community to discuss, explore and evaluate entrepreneurial opportunities.

Several recommendations for developing additional peer-based services and support were offered which suggested an interest in greater consumer involvement in service provision, training and decision making: Provide more opportunities for peers to help other peers; this makes people feel good. Involve peers more in training provision.

Providers need more training about local culture and different business communities. MFIs need training on communication, listening, professionalism and more use of IT systems.

## **5.26 Conclusions**

The chapter endeavoured to conclude how micro finance-related business advanced their operational competence and female entrepreneurship. It also presented the motivation factors of micro business applicants to approach microfinance institutions, mainly in Bangladesh. Furthermore, sets of hypotheses have been developed to test operational aspects of the MFI dichotomy and to explore need and issues related to the microfinance industry in Bangladesh. In doing so the justification of the methods of statistical analysis have been explained and justified. Equally the justification of a sample for analysis has been undertaken, as has the use of the data selected to support the analysis. This chapter therefore sets the ground for subsequent chapters in which these three hypotheses are critically analysed, and conclusions derived from the analysis. Chapter Six will discuss the difference between sources of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK.

## CHAPTER 6

### Findings on UK-based Bangladeshi Small-Scale Entrepreneurs

#### 6.1 Summary

An empirical analysis of Bangladesh-based Bangladeshi microfinance entrepreneurs was discussed in the previous chapter. The results of the last chapter analysis demonstrate that the micro finance industry shows room for improvement in terms of management, interest rates, and genuine empowerment of women. In this chapter the findings and analysis of UK-based Bangladeshi entrepreneurs is considered. Furthermore, this chapter will make a comparison of microcredit take-up and success in business development between the UK-based Bangladeshi community and those based in Bangladesh.

#### 6.2 Introduction

The thesis is primarily concerned with the area of microfinance with a particular focus on critical evaluation of its impact on the end user. The chapter will start with a proposition on whether there is any significant difference in terms of entrepreneurial activities between UK-based Bangladeshi entrepreneurs and entrepreneurs based in Bangladesh. Thereafter, it will demonstrate and discuss the findings of small-scale entrepreneurial activities in London. Also, later in this chapter it will compare and contrast the UK-based Bangladesh entrepreneurs and entrepreneurs based in Bangladesh.

*Proposition: No significant difference in terms of entrepreneurial activities between UK-based Bangladeshi entrepreneurs and entrepreneurs based in Bangladesh.*

Qualitative research was done mainly in the East London area. Respondents were selected based on users of microfinance in the East London area who originally came from Bangladesh. Overall, semi-structured interviews with 15 micro business proprietors took place for this research. The main points are small-scale entrepreneurs



do not take finance from banks or any financial institutions. Most of them take money from loan sharks and pay a significantly high rate of interest. According to the Money Advice Service (2017), loan sharks are the illegal lenders who seem friendly at the beginning and target low-income and desperate families. However, borrowing from loan sharks is never a good idea. A loan shark often offers little or no paperwork for a credit agreement or record of payments; refuses to give information, such as the interest rate; takes as security things such as a bank card or passport, adds additional charges without any notice, and refuses to settle the debt.

A few entrepreneurs don't have a visa to work in the UK, and they pay high rent, as they can't take out a lease for the location of the open street market directly from the council. Main finance sources are loan sharks, family members and friends, and savings made from other jobs. In terms of training, none of the small-scale Bangladeshi entrepreneurs have received any formal training. Communication, and especially the English language, shows huge room for improvement. Entrepreneurs mainly communicate in Bangladeshi "Bengali" and Indian "Hindi" languages.

It was impossible to gather entrepreneurs as a group in London due to entrepreneurs long working hours, competition and lack of motivation to attain the focus group interview. One to one semi-structured interviews took place for London based entrepreneurs.

### **6.3 Compare and Contrast UK based Bangladeshi entrepreneurs and entrepreneurs based in Bangladesh**

There are many ways in which comparative studies can contribute to knowledge about business relations. One of the main reasons for studying the experiences of other societies is to gain a better insight into our own country's financial institutions and practices. The reason for studying internationally comparative business relations includes the need to understand the relative significance of various factors such as education, technology, finance policies, laws and culture in determining the type of industrial relations systems adopted by different countries. Entrepreneurial issues are important in all countries: the growth of commercial and industrial links has made it

imperative for governments, employers and entrepreneurs to be aware of the patterns and idiosyncrasies of financial markets in other countries. For example, certain governments try to maintain up-to-date analyses of business relations in other countries. One of the challenges of comparative studies is the choice of what and how to compare. As Schregle (1981, p.16) argues: “*international comparison in industrial relations requires the acceptance of a reference point, a scale of values... a third factory to which the industrial relations systems or phenomena of the countries being from*”.

It is important to bear in mind that ideology is a significant issue - and sometimes a problem - in shaping the framework within which research questions are formulated (Korpi 1981). Industrial relations research in English-speaking countries, for example, tends to focus on procedural and institutional approaches to problem-solving, predominantly within a pluralist framework. Researchers have also tried to formulate broader theories to explain similarities and differences between countries. From a radical left perspective, industrial relations issues tend to be seen as only one component of a larger concern with economic and social change and relationships between classes. In some countries, such as Sweden and France, there is a combination of approaches so that Marxist-oriented research is tempered by a pragmatic orientation towards public policy (Doeringer et al. 1981). Another approach has been developed in the USA by political economists.

In terms of the type of business and opportunities, Bangladesh-based entrepreneurs are limited or lack options. They are limited to supply chain networks and a limited number of buyers. By contrast, the UK-based entrepreneur is open to several options and has good connections to supply chain networks. Also, the UK- based small-scale entrepreneurs have diversified buyers, although predominantly Bangladeshi customers in the East London area.

#### **6.4 Length of business**

They are very similar in terms of the number of years in the business; however, a few UK- based entrepreneurs are significantly more experienced than Bangladeshi small-

scale entrepreneurs. In addition, a few experienced UK-based small-scale entrepreneurs have between three and five shops on the same high street in London.

### **6.5 Number of employees**

UK-based small-scale entrepreneurs tend to have a few part-time employees as they have more than one store, and also operate long hours. The entrepreneurs tend to deal with most of the workload. Although entrepreneurs in the UK have one or two employees, however, their employees don't have any formal contract.

Bangladesh-based small-scale entrepreneurs do not have any employees, only family members tend to help them. No formal written contract exists among family members.

### **6.6 Education background**

From the sample, most of the UK-based Bangladeshi entrepreneurs are literate and have primary and secondary level education, whereas Bangladeshi micro finance-based entrepreneurs do not know how to read and write well. It is very difficult for illiterate people to deal with financial matters i.e. principal loan amount taken, and how much they have and to repay, and timings of the payments. However, although UK-based Bangladeshi entrepreneurs were literate or had a little education, they were still repaying a high amount of interest to loan sharks. Leather goods and gift shop owners expressed some interest in training, although only on the job training.

### **6.7 Family experience in owning business**

Neither groups have experience and they have not inherited their business from family members. Only a few respondents have indicated some sort of experience with relation to selling fruit, vegetables or fish. Although experiences are not significantly different between the two groups, UK based small-scale entrepreneurs show significantly more profitability compared to Bangladesh-based entrepreneurs. One UK-based Bangladeshi entrepreneur quoted: *“First time in my life I am selling fruit and vegetables. In fact, first time in my life I am working on the Whitechapel High Street. It's really cold in the winter time”*.

## **6.8 Business goals**

Both groups showed their main goals are mainly towards consumption-related expenditure. However, a few UK-based entrepreneurs would like to catch up with the trend and lifestyle, the idea of buying a job, and saving and sending money to Bangladesh. This shows that Bangladeshi entrepreneurs' goals in both cases are just to pay regular consumption-related expenditure. The survival instinct doesn't change significantly even though they live in a developed country like Britain. Business goals in terms of daily activities, what to sell and at what price were in some cases clear to both groups. However, most groups represented a narrow framing approach to setting goals. Both groups were unclear about the wider frame and long or even medium-term goals. There are various explanations for individuals owning their own ventures (Monahan, Shah & Mattare, 2011; Walker & Brown, 2004).

## **6.9 Sources of finance**

UK-based entrepreneurs' main sources of finance are from loan sharks along with some of their own savings, whereas Bangladesh-based small-scale entrepreneurs are mostly based on microfinance institutions. Both parties are on average paying high interest rates. Both parties are not satisfied with the rate of interest and repayment of loan they are paying to loan sharks and MFIs. It is quite clear that poor people tend to face a real challenge in moving up the ladder. Although sources of finance are not the real issue in both groups, rates of interest and the process of loan collection from these poor people seem to be the real issue for UK-based Bangladeshi entrepreneurs and Bangladesh-based small-scale entrepreneurs. Microfinance companies should integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

## **6.10 Conclusions**

Firstly, this research highlights that 99% of Bangladesh-based microfinance business owners' respondents are female whereas 100% of UK-based micro business entrepreneur's respondents were male. Secondly, it highlights how entrepreneurs in

both countries seek finance and what factors influence sources of finance, and thirdly, how entrepreneurs in both countries deal with operational aspects of business. Microfinance institutions show deficiencies in social and operational concerns.

Overall, it was observed that the predominantly micro finance business management problems faced by micro businesses in Bangladesh were very similar to what was found among micro businesses in the UK. In particular, like most other business owners around the planet, microfinance-based entrepreneurs had aspirational goals for their businesses (e.g., expanding entrepreneurs, inventory of products, serving their customers well, and expanding and growing their business). However, this research found that many of these businesses did not have clear plans for what they required to do to accomplish their business goals, nor did they have any way to quantify how they might be managing against those goals. Without proper feedback on how their business is doing, and no easily available channel to get targeted business advice, both groups are having a hard time paying back their loans. Both groups showed their main goals are to survive, and only a few UK-based entrepreneurs would like to catch-up with the trend and lifestyle.

## **CHAPTER 7**

### **More on Findings and the Future of the Micro finance industry**

#### **7.1 Summary**

The research finds that the reality of micro credit amongst the respondents was to lock them into increasing debt. It has also been argued, however, that the development of the microfinance industry is continuing to evolve and it is necessary to consider the possible implications of this for the argument regarding regulatory, management, interest rates, training, motivation and administrative primacy. These factors, together with other changes in the microfinance industry, form the subject matter of this chapter.

#### **7.2 Introduction**

In this section, the overall discussion addresses the MFI and its effect on poor people and on microfinance-based entrepreneurs in London. This chapter will also critically discuss the motivation for taking out a loan from different MFIs, along with the future of microfinance and female entrepreneurship. Also, it will explore the role and domination of large MFIs and their adoption of the conventional banking system.

#### **7.3 CSR and microfinance**

Adam Smith's free-market economics is predicated on competing self-interest. These influential ideas put the interest of the individual above the interest of the shared and cohesive society. Although microfinance is supposed to be collective effort, an individual's concern to become a successful entrepreneur and pay off the high interest rate is certainly a concerning factor for Bangladeshi entrepreneurs in both nations. The central principle of social responsibility, however, is the social agreement between all the stakeholders to society, which is an essential requirement of civil society. Social responsibility also requires a responsibility towards the future and towards future members of society. Incorporated within this is, of course, a duty towards the situation because of insinuations from other members of society, both now and in the future

(Crowther & Calyurt, 2004b). With concerns about the impact of excessive interest rates, abusive lending practices have led to increased attention to responsible finance and consumer protection measures, including micro entrepreneur protection, regulation, and supervision to ensure that customers are treated fairly and appropriately, and that they understand the implications of their actions. It is important to modify standards and codes of conduct within the industry, with the emphasis mainly on consistency, removal of asymmetric information, and more informed micro entrepreneurs, so that they become more responsible for their own financial welfare.

Several research papers show that small and medium-sized enterprise owners are resistant to training (for example Bennet & Robson, 2003; Berry, Sweeting & Goto, 2006; Jay & Schaper, 2003; and Johnson, Webber & Thomas, 2007). On the contrary, both Bangladeshi and UK-based Bangladeshi microfinance-based entrepreneurs would like to receive on the job training.

Bangladesh is known as the heartland of the microfinance industry, indicating that microfinance has lost its moral compass. Powerful figures in the western world, such as ex-American president and mainstream bankers may conveniently agree that microfinance is the solution for poverty abolition, but the practices of MFI credit officers' / field representatives on the ground are driven to a very great degree by the need for short-term financial performance. BRAC International raised more than \$75 million in 2010 from bond markets to finance its programmes in Africa. Evidence indicates the morally hideous practices that a purely commercial approach to microfinance have and are triggering in MFIs, and shows how these impact on small-scale Bangladeshi entrepreneurs both in the UK and in Bangladesh.

Importantly, even if the poverty impact of microfinance was certainly very limited, the international development community was in no doubt about the theoretical serviceability of the microfinance model. Recall that the international development community in the late 1970s and early 1980s, led by the World Bank and the International Monetary Fund, had been converted over to market fundamentalism (i.e. neoliberalism). The attractiveness of the microfinance model in this specific context was that it very centrally celebrated the supposed power of the individual entrepreneur and self-help, and supposedly rendered unnecessary all state and collective responses

to poverty and underdevelopment (Bateman, 2010). With the lack of accesses to finance, particularly when people don't have any other option for food and shelter, inevitably a model like micro finance may work in some way. The corporate governance failures in MFI are what allowed exploitations in microfinance; the problems with internal controls in MFIs; how regulators could fix them; the very sensitive issue of agents; how loan officers became loaded with more and more clients (Arunachalam, 2011).

MFIs were thereafter instructed to work towards ensuring their own financial self-sustainability through market-based interest rates and the adoption of Wall Street-style private sector incentive structures and methodologies (Otero and Rhyne, 1994). The resulting 'new wave' commercialised microfinance model that emerged effectively became the only acceptable definition of microfinance (Robinson, 2001), and soon after the international development community's highest-profile anti-poverty intervention. The world is changing very quickly in terms of technology, distribution process, perception also use of money, goods and services.

According to Hulme and Maitrot (2014) an examination indicates that most commercially-driven MFIs, mainly in the villages of Bangladesh and India, have experienced a moral drift in the same way as mainstream finance firms in the skyscrapers of Manhattan and Canary Wharf. The mainstream finance firms have focused on financial performance and taken little responsibility for the social consequences of their rendezvous with clients. Extremely poor women who are receiving a small-scale loan cannot be a real opportunity cost of capital or social life. It's fairly clear from the empirical research outcomes that MFIs focused on microcredit, and especially those with rigid repayment schedules. It is also clear that microcredit has had positive effects on particular types of households in Bangladesh, for example saving and insurance products. Households with low reliance proportions, relatively steady earnings, a degree of financial education, access to informal credit markets and information can often use their loans for productive purposes and draw economic and social benefits from such loans. However, when banks (mainstream or microfinance) lend aggressively, there are real dangers for a small-scale entrepreneur.



*“The worst part is that in every position the subordinates suffer mental harassment from superiors (...) The rules in this MFI and the psychological pressures faced by the employees are the worst part of this job”* (Maitrot 2013, p.9).

From the supply side point of view: In Bangladesh the loan officers / field representatives have to work hard for their money and bear the pressures of achieving daily financial performance targets. More than 100,000 graduates from low and middle-class families work for MFIs. This is particularly stressful when significant numbers of clients find it difficult to repay. Maitrot (2013) explains how the systems, structures and cultures of MFIs (limited staff training, zero-delay and zero- default policy and demanding branch managers focused purely on financial performance) build chains of pressure, not only on small-scale entrepreneurs but also on staff. During fieldwork, many MFI staff members expressed suffering over the “inhuman” behaviour they adopt to meet financial targets, develop their career prospects and avoid sanctions. Many of the loan officers interviewed reported being ashamed of, or even depressed by, the ways in which they treat clients. This may indicate a rather similar situation to the western world’s bailiff. The UK-based small-scale entrepreneurs have reported similar kinds of experiences.

#### **7.4 Factors that influence how micro business owners develop their entrepreneurial capability**

For micro business owners time, money and resources are very precious as they spend a significant amount of time earning a little money on which to live. Therefore, entrepreneurs have little scope for error. In terms of decision-making, some data and information play a vital role as, for example, personal and business objectives, trust and accessibility and feasibility of finance and interest rates.

As time, money and resources are limited or scarce for micro business entrepreneurs, trust is a vital factor for them. Bangladeshi entrepreneurs in both countries do not have adequate support. Nevertheless, in contrast with the participants interviewed, they didn’t have any hesitation in seeking finance in Bangladesh, regardless of whether it’s from a trusted source or not. Several respondents in the UK specified that they had established a long and durable relationship with the suppliers of goods.

Personal and professional goals for these business owners were not clear, even though the two were tightly linked. Many of the owners interviewed agreed their goals were somewhat vague and changed often. As Gold and Thorpe (2008) found, most actions by small and micro business owners were driven by short-term goals. It's all about survival.

Although micro entrepreneurs showed that interest rates were very important to them, due to lack of reading and writing ability they were unable to identify the interest rate differences between MFIs. Several respondents in Bangladesh, in the absence of field representatives in a focus group, stated that they keep on paying never-ending interest rates. As entrepreneurs were getting threats from MFIs, they were repaying the loan by borrowing from another MFI, as discussed in the literature review chapter.

UK-based Bangladeshi entrepreneurs responded similarly to those in Bangladesh, although the former were threatened with deportation if loans were unpaid. Fair Finance operations in the UK and widening use of Fair Finance activities have been discussed in Chapter Six. More use of Fair Finance activities would be more beneficial for the UK-based micro entrepreneurs as they are following FCA policies. Furthermore, Fair Finance as a microfinance institution understands the London market very well.

The significance of the role of internal contextual influences in terms of owners' attitudes to improving their abilities was a problematic aspect to establish. External influences, such as the economic climate, indicate clearly why they seek microfinance even though they may not be able to make repayments.

Economic conditions played an important role in improving skills, as some respondents were interviewed in the period of economic downturn. In the case of Bangladesh and UK-based Bangladeshi micro entrepreneurs a small amount of finance plays a significant role in their business and consumption-related expenditure, rather than any other opportunity of scope.

According to Chen and Rutherford (2013) the micro finance industry began to change from 2008. As of 2013, five trends stand out:

1. The core microcredit product is holding steady and evolving incrementally. The main MFIs are providing a fairly large amount of loans from the year 2011, some argue due to the interest rate 27 percent cap by the Micro Finance Regulatory Authority (MRA). Therefore, it raises tensions that very poor clients may suffer more. In the last few years the Grameen bank has introduced a new “young entrepreneur’s loan” aimed at the sons and daughters of Grameen members.

2. Lending to small enterprises will remain a significant market segment, but the author’s data do not reflect any improvements in terms of real productivity.

3. Client demand for savings services is increasing but is inadequately met. There is no reason to increase savings services, whereas most of the loan is for consumption purposes.

4. There is growing momentum to create a special category of deposit-taking MFIs, then what will happen to main high street banks which are already suffering from liquidity and mismanagement of credit problems in Bangladesh?

5. Mobile phone payments services are developing rapidly. By the end of April 2013 mobile phone payments services have more than 5 million accounts and 80,000 agents, and these numbers are growing fast. This is quite good news for MFI users but it also opens up a new arena for extra expense without having much improvement in productivity. Although the youth literacy rate is improving, adult loan takers are still illiterate. Banking service facilities through the use of mobile phones show huge room for improvement. These changes in the microfinance industry tend to influence positive and negative ways in terms of how micro entrepreneurs will adopt their growth and financial management strategies.

Another new medium of exchange could help transaction costs. *“A cryptocurrency is a medium of exchange like normal currencies such as USD, but designed for the purpose of exchanging digital information through a process made possible by certain principles of cryptography. Cryptography is used to secure the transactions and to control the creation of new coins. The first cryptocurrency to be created was Bitcoin back in 2009. Today there are hundreds of other cryptocurrencies, often referred to as Altcoins”* (Cryptocoins News, 2016). Cryptocurrency should facilitate the reduction of financial transaction costs. Maybe more use of cryptocurrency technology for mobile phone-based transactions will be able to do this, and therefore this could enable poor entrepreneurs to save more time and interest-related costs.

### **7.5 The motivation towards training**

Motivation explains ‘*why individuals choose to expend a degree of effort towards achieving particular goals*’ (Dawson, 1986, p.7); Needs, drives and goals (Thompson & McHugh, 2002); Rewards for particular outcomes of action (Thompson & McHugh, 2002). In term of micro finance the main motivation in terms of supply side policy, is to earn a financial profit and, in terms of the demand side, just to get some money, mainly to fulfil basic needs. In simple terms motivation can consequently defined as the will to perform, an individual’s effort, persistence (in the face of barriers) and the direction of that effort (Brooks, 2009). In the case of Bangladesh and UK-based micro entrepreneurs, they seem to have some motivation towards training and success.

### **7.6 The difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK**

The answer to this question, there is no significant difference between the two groups in terms of how they obtain finance. However, the important question is whether microfinance is working for these Bangladeshi communities. Evidence suggests that in terms of covering cost and profitability, it is working. This assumption is supported and argued by this research and also rigorous quantitative analysis of the economic and social impacts of microfinance (Banerjee and Duflo 2011; Roodman 2011), although published texts from MFIs show contrary facts and figures.

The microfinance industry may have successfully extended financial services to the rural poor – indeed, the rural poor in Bangladesh have almost routine access to microfinance services, more than they have access to basic public services such as health, security, and education (Rutherford, 2009). However, both UK and Bangladesh-based entrepreneurs seek finance from MFIs as lenders of last resort. There is no indication of empowerment, reducing poverty and improving social status. UK-based small-scale Bangladeshi entrepreneurs are not in a better state in terms of social life. Even though they live in London, which is one of the most well-developed cities in the world, nevertheless UK-based small-scale entrepreneurs are distressed by loan sharks in the UK as well.

The main difference to be noted in Bangladesh is that the Micro finance Institutions (MFI) are doing their insensitive activities within a legal boundary implemented by the Bangladeshi Central Bank and the Bangladeshi government. In the UK, Bangladeshi loan sharks are taking advantage of poor and vulnerable people. A significant difference between the social performance of MFIs in Bangladesh and the goals these organisations are supposed to achieve. MFIs mainly focus on and highlight financial performance, even though through the entire system of collection of loan repayments and interest they may be crafting more tension in society. In effect, many MFIs have “neo-liberalised” themselves since the late 1990s. *“The term "neo-liberalism" denotes new forms of political-economic governance premised on the extension of market relationships. In critical social science literature, the term has usurped labels referring to specific political projects (Thatcherism, Reaganomics, Rogernomics), and is more widely used than its counterparts including, for example, economic rationalism, monetarism, neo-conservatism, managerialism and contractualism”* (Larner, 2000, p5).

In reference to the resurgence of 19th century ideas associated with fair economics, beginning in the 1970s and 1980s, advocates support extensive economic liberalisation policies such as privatisation, fiscal austerity, deregulation, free trade, and reductions in government spending in order to enhance the role of the private sector in the economy. MFI's activities have been conducted entirely by market-based forces and they have ignored their immoral breadth, concentrating on financial performances by differentiating with the mainstream financial institutions. Some mainstream banks are directly providing microfinance products (Citibank, Deutsche Bank and ICICI Bank) whilst others have sought to fund MFIs or refinance portfolios (Dieckmann, 2007). In order to appeal to investors and secure mainstream finance, MFIs have concentrated on achieving “good ratios” in terms of conventional financial measures (client number, portfolio growth, on-time repayment, portfolio at risk, interest rate spread) used by purely commercial financial institutions (Bateman 2012, 2010, Fernando 2004). Not surprisingly, this has led to the prioritisation of financial performance by MFIs and the increasing neglect of social performance (Maitrot 2013).

## 7.7 The future of microfinance and female entrepreneurship

According to Buerkle (2010), micro finance clients in Tajikistan had higher rates of permanent job creation, better access to education, improvement in food consumption and better access to medical and financial services than did non-microfinance clients. The impact is may not comparable to developing countries like Bangladesh; also, it does not correlate to small-scale Bangladeshi entrepreneurs based in UK.

Garikipati (2012) argues that if women have a significant role in the process of loan use, they are likely to be empowered. These processes include how the loans are used, how the women manage businesses, and loan repayments. Garikipati also argues that if measurements are focused on the results for women, such as the way in which they live their lives, contribution to household economy and access to spending money, these measurements are insufficient and can be deceptive to the real empowerment of women by microcredit. The data in this research describes the processes and outcomes of borrowers in Bangladesh and shows that only around 20% use their loans for businesses and in the majority of cases (80%), loans were unfocused into household needs such as production and consumption. Garikipati concludes that microcredit can help women improve their ability to earn money, which leads to greater confidence and the ability to overcome cultural irregularities, ultimately leading to improvements in their self-efficacy, but this can only be measured by an in-depth analysis of the processes involved. If women are not in control of the loans, then reliance on their husbands increases, and they are less likely to invest in their work businesses, which prohibits their self-ability and ultimate empowerment. Female empowerment activities look good on paper only, as in reality most of the loan amount has been used for consumption.

According to Zaman (2004) microcredit may be a more effective remedy for poverty and vulnerability if it is complemented by other mediations. These mediations such as, for example, proving training and use of the right technology, may be especially important for the poorest households, which face the greatest risk of income fluctuations and have the greatest need for a range of financial and non-financial services. While impracticable leadership by MFIs cannot simply be “permitted,” the systems and formal rules that govern the successful microfinance industry in

Bangladesh can to an extent be replicated. Advances in communications technology have a role in economic development in developing countries in order to alleviate poverty (Warschauer, 2004). These may vary according to the size of the organisation, but mostly, the successful organisations delegated significant decision-making authority away from head offices, monitored individual staff performance, and linked staff incentives to specific microfinance-related programme targets. As organisations grow, the willingness to change products based on client need and demand, as well as devoting greater attention to creating products tailored to niche markets, is vital for sustainable large and SME businesses as well as sustainable microfinance-founded business success.

One type of solution such as micro finance is not good enough for the entire Bangladeshi market; a critical analysis of different aspects of needs is required to be analysed. An analysis should also consider a particular period and specific situations. Bangladeshi market forces are creating change and, in terms of the micro finance industry, few MFIs have played a significant role. As Figure 7.1 demonstrates, the original generation of microfinance programmes - Grameen Bank, BRAC, and Proshika—remain market leaders in terms of client numbers, reaching 70 percent of the 6.5 million clients being served.

**Table 7.1: Four largest MFIs and the microfinance market**

|                                  | ASA    | BRAC <sup>a</sup> | BURO  | GRAMEEN | 4 MFIs as % of All MFIs <sup>b</sup> |
|----------------------------------|--------|-------------------|-------|---------|--------------------------------------|
| Loan Portfolio (\$US Millions)   | 636    | 750               | 110   | 997     | 65                                   |
| Savings Deposits (\$US Millions) | 262    | 311               | 42    | 1,628   | 86                                   |
| Branches                         | 3,025  | 2,120             | 625   | 2,567   | 49                                   |
| Active Borrowers (Millions)      | 4.2    | 4.4               | 1.0   | 6.7     | 72                                   |
| Microfinance Staff               | 20,969 | 17,700            | 5,447 | 22,621  | 53                                   |
| Year of Launch of Microcredit    | 1991   | 1974              | 1991  | 1976    | —                                    |

a. BRAC's figures include only full-time microfinance staff, though shared services staff (e.g., accounting and finance) would increase the full-time equivalent head count.

b. Percentages based on large four MFI figures for 2011 as a proportion of industry totals from Bangladesh Microfinance Statistics, 2011, Credit and Development Forum & Institute of Microfinance

Source: Microcredit Regulatory Authority (2016)

According to Microfinance Regulatory Authority (MRA) Bangladesh (2017), there are 704 MFIs offering microcredit in the Bangladeshi market. However, the bulk of the

clients borrow from a handful of large organisations—Grameen Bank, BRAC (Bangladesh Rehabilitation Assistance Committee), ASA (Association for Social Advancement), and Prosihika. Due to this high concentration ratio, the Bangladeshi micro finance sector reflects the characteristics of an oligopoly market structure. Table 7.1 indicates that BRAC has 4.4 million borrowers, Grameen Bank has 6.7 million clients, and ASA 4.2 million clients accounting for a combined market share of Bangladesh.

These programmes have grown to such a scale that they compete head-to-head in hundreds of villages. Moreover, a new generation of NGOs is arising: only five of the current microfinance NGOs existed before 1980, while 320 have begun since 1990. While most of these are weak programmes a few, such as ASA and BURO, are growing aggressively. The newer programmes emphasise profitability in a way that the market leader, Grameen Bank, never has. They are also experimenting with new services, particularly on the savings side.

Until recently, nearly all microfinance programmes in Bangladesh used the Grameen Bank methodology, or a variation; this included targeting loans almost exclusively towards women (81 percent of all micro-finance clients in Bangladesh are women). However, increasingly new loan, savings, and insurance services are being developed. In Bangladesh, donors remain major funders, accounting for 47 per cent of all loanable funds held by NGOs, while commercial sources account for only 14 per cent. This also shows signs of changing. Formal banks are beginning to report microfinance loans, and government authorities are starting to consider revising regulations to provide a more conducive environment for savings mobilisation and lending innovations (Credit and Development Forum, 1997).

According to Figure 7.1, these MFIs represent 65% of all MFIs, which indicate a high concentration ratio. Grameen's loan portfolio and savings deposits are higher than its competitors. Research suggests that a 4-firm concentration ratio of over 60 per cent would indicate a highly oligopolistic market. Besides, oligopolistic firms tend to follow each other in terms of how to play with asymmetric information. Non-price competition or price rigidity also plays an important role. The big MFIs in Bangladesh are reluctant to change in terms of interest rates. However, non-price related activities



tend to increase i.e. different types of microfinance products are available to different types of poor customers, for example, BRAC recently introduced different policies for ultra-poor compared to Extremely poor clients.

Please see Appendix 3 for the top 50 MFIs in Bangladesh and a comparison between 2014 and 2013, where the top three MFIs held their top position. Even though the micro finance regulatory authority in Bangladesh has introduced some legal barriers to slow down the growth of MFIs in terms of the number of new entrants, still more and more MFIs are entering the microfinance industry in Bangladesh. Arguably, according to Chen and Rutherford (2013), credit discipline begins with attracting suitable borrowers.

**Table 7.2: Microfinance penetration by country (and region) in 2009**

| Global ranking | Country                 | Borrower accounts/Population |
|----------------|-------------------------|------------------------------|
| 1              | Bangladesh              | 25%                          |
| -              | (Andhra Pradesh, India) | 17%                          |
| 2              | Bosnia and Herzegovina  | 15%                          |
| 3              | Mongolia                | 15%                          |
| 4              | Cambodia                | 15%                          |
| 5              | Nicaragua               | 11%                          |
| 6              | Sri Lanka               | 10%                          |
| 7              | Montenegro              | 10%                          |
| 8              | Vietnam                 | 10%                          |
| 9              | Peru                    | 10%                          |
| 10             | Armenia                 | 9%                           |
| 11             | Bolivia                 | 9%                           |
| 12             | Thailand                | 8%                           |
| 13             | India                   | 7%                           |
| 14             | Paraguay                | 6%                           |
| 15             | El Salvador             | 6%                           |

Source: Bateman (2011)

Table 7.2 demonstrates that Bangladesh and Andhra Pradesh, India, managed to achieve the top 2 positions. Unfortunately, due to fast aggressive growth, both countries have been suffering from serious consequences which are included in the literature review under ‘the dark side of micro finance’. On paper in terms of the increasing

numbers of clients, this may show good progress; however, without proper strategic management, these increasing numbers of clients may not be sustainable enough in future.

This research indicates that the majority of women entrepreneurs engaged in micro and small business segments live or lived in rural areas and have difficulties accessing financial services. In addition, in order to access finance, there are some aspects that need to be owned by micro and small entrepreneurs including access to current market situation. Apart from finance, all other factors are apparently ignored, such as use of technology, access to market information and how to use it, the concept of trade-off or opportunity cost, training, empowerment, work and social life balance.

Above and beyond the abolition of poverty, micro finance also helps produce a fabric of micro-enterprises to develop and generate dynamism in zones that otherwise can be considered backward. Mutual assistance groups strengthen social connections and higher income improves better access to hygiene, healthcare, and education.

There is no doubt that these promising results have contributed to the economic development of the societies in question, but many micro finance institutions have performed unsatisfactorily due to the absence of any genuine regulatory framework and the incoherence and inconsistency of national and international policies.

With relation to social and economic issues of workable and sustainable development it is crucial now to be able to identify the relevant different players; improve our understanding of their interests, logics, and strategies; and ascertain the need. Previous knowledge, however, sheds light on the bigger and more complex picture of economic development and the idea of what economic aid, charity, or support really means. The findings of this and other research propose a dysfunctional system of lending and borrowing that is fabricating very limited benefits and may in fact be detrimental to the borrowers. These results are in conflict with much of the foundational work done on micro finance. Whereas most of the studies on the efficiency of micro finance loans are large-scale data driven and focus on a country or region, this study goes into the particulars of one village and examines microfinance's functionality on an individual

borrower level. Other academics in this field have reached similar inferences using a much greater scale of analysis (Bateman & Chang, 2012; Sinclair, 2010).

According to Bateman and Chang (2012), the disappointment of microfinance as a poverty alleviation tool is becoming deceptive to those who study the field. In their article, Bateman and Chang (2012) define that a few lucky borrowers succeed with the help of microloans but that the concept of microfinance is flawed and fails as a long-term poverty reduction tool. They point to several essential economic imperfections of microfinance. Evidence of these flaws can be found in the evidence gathered from the borrowers in Bangladesh and UK-based Bangladeshi communities. The microfinance model ignores the crucial role of scale economies. It is widely accepted that there are minimum scales for efficient production, and businesses that operate below these levels have a difficult time surviving and prospering in a competitive economic environment (Bateman & Chang, 2012). This was evident when talking to the women in Mymensingh in Bangladesh. The microloans they received do not allow them to scale up their operations and they are in a constant cycle of borrowing to purchase materials for their next project. The microfinance model ignores the “misconception of composition” (Bateman & Chang, 2012) - a blunder that has made many micro finance institutions commerce with development and poverty alleviation programmes. This is the idea that there is no local demand limitations and that the local economy can absorb an unlimited number of workers through the expansion of small businesses that sell similar products and services. Microfinance institutions would do a prodigious service to debtors if they were able to conduct market research and advise borrowers of money-making business ventures. The microfinance model helps to de-industrialise and infantilise the local economy. (Bateman & Chang, 2012).

Recent developments in entrepreneurship theory and institutional economics have showed that technical innovation and creativity are the keys to sustained economic development. However, it is impossible to effectively create an economic environment that leads to a noteworthy reduction in poverty by simply giving small loans to women to produce similar goods. As previously stated, the model of micro finance as an economic development tool has gained some attention and support from large organisations and policy makers. Nevertheless, there is still something instinctively

flawed about giving high interest loans to vulnerable populations made up of the poorest of the poor and then describing it as a type of assistance.

The contemporary form of micro finance began as a way of bringing poor women out of poverty. But, with the increase of commercial banks moving into the sector, micro finance has transformed and is no longer an unselfish venture but a profitable business model for many financial establishments. The formation principles of micro finance are currently being hard-pressed out by the profit seeking commercial banks (Kent & Dacin, 2013).

Microfinance has gone through a structural change in recent times as the rising influence of commercial banking has challenged its legitimacy as a mechanism for poverty alleviation (Kent and Dacin, 2013). These neoliberal approaches could make microfinance industry go bust. Without the practical approach and humanitarian undertaking of many NGOs like BRAC microfinance programmes, poor and vulnerable borrowers will be left to borrow money from commercial banks that operate with a different set of motives, whilst still marketing themselves as micro finance institutions. Even within pro-micro finance circles, an agreement is forming that these programmes are not a silver bullet to the elimination of poverty (Ghosh, 2011), and while recent studies still show that microfinance has the potential to have positive benefits, these benefits may be minor and only impact a small number of individuals who borrow from MFIs (Banerjee & Duflo, 2011). There is no clear-cut answer to getting rid of poverty, and the current answer is indefinable, but it is important to stay watchful and try not to cause greater destruction by saddling poor people with uncontrollable debt loads.

Some in the industry have become indifferent and pessimists may start to advocate “Advanced airplane theory of micro finance” (Sinclair, 2012, p.234). A development logic inspires MFIs to (a) aim for poverty alleviation and community development; (b) view clients as recipients, who deserve support; and (c) maximise the welfare impact of donor funds. A banking logic, however, inspires MFIs to (a) derive a rent or profit, (b) view clients as customers and sources of income, and (c) maximise profit while fulfilling fiduciary obligations to the stakeholders. Some research shows that since for-profit micro finance institutions prefer a banking rather than development logic, they will be more conventional in their lending decisions, preferring to lend to less risky

customers. This will create more tension in society: compared to start-ups, existing businesses with more mature projects represent a less risky lending proposition, given such organisations have a greater chance of survival (Stinchcombe, 1965) and exhibit lower levels of asymmetric information (Diamond, 1991). However, it is fundamental to take a truthful glance at the essential structural issues that contribute to global poverty and disparity. The research findings show that one party knows more than other parties in the Bangladeshi community. As a significant proportion of microfinance users don't know how to read and write well, they also suffer from the ultra-poverty situation.

Additional investigation is required in order to understand the association between micro finance and susceptibility risks in other contexts. 'Co-creation', 'partnerships with local communities' and 'creating markets for virtue' are key concepts in the bottom of the pyramid. These research findings indicate these partnerships continue to exclude people who are the recipients of poverty alleviation programmes and, if poor communities become real partners in expansion, the value propositions of these programmes will undergo a major alteration because they will be defined based on the needs of the poor, not on markets for microfinance. Collectivist and unity, which are vital for the sustainability of poor communities, cannot be based on a system that excludes or hushes the voices of those that are targeted for 'development' support (Papa et al., 1995).

## **7.8 Key discussion arguments from several contributions in this area**

Bateman and Chang (2012) argue that micro finance is harmful to economic development both at a social and an individual level. The authors suggest that alternatives to microfinance such as financial cooperatives and credit unions may have more beneficial outcomes. Bateman (2013) also suggests that microfinance has become an alternative to the traditional approaches of aid programmes and has replaced a portion of the conventional financial system after the 2008-2009 financial crisis. Chowdhury (2009) argues that micro finance itself will not eliminate poverty and there is little difference between historical trends of finance and the current system of micro finance. Thus, it is not rational to assume that just lending to the poor will create a whole new group of new entrepreneurs (Dichter, 2007). In fact, implementation of

microfinance policies is the end result of a strategy to spread neoliberal economic policies to the poor across Bangladesh (Karim, 2008) rather than just to alleviate poverty. Microfinance institutions need to be held accountable; ethical financial practices and regulations may help facilitate this (Saltmarsh & Contigugli, 2008). There is little regulation related to interest rates and lack of research on the effects of competition and sustainability relating to these interest rates (Kneiding & Rosenberg, 2008). According to McIntosh & Wydick (2005) competition never makes any profitable borrower worse off and micro finance programmes with subsidies can always drive any unsubsidised competitor out of business.

In a four-year longitudinal study Banerjee, Duflo, Glennester, & Kinnan (2013) found borrowers were taking relatively larger amounts of loans; on average businesses were not profitable and household consumption did not change. According to Rosenberg, Gaul, Ford, & Tomilova (2013) the interest rate has dropped for banks and regulated micro lenders, but it has increased for NGOs and unregulated micro lenders. Sinclair (2012) argues although several micro finance programmes are beneficial to their clients, however overall the micro finance industry is ineffective and could be harmful to borrowers.

Many micro finance institutions now focus on savings, not just credit, and the evidence from randomised appraisals of micro savings is rather encouraging (Karlan, Osman and Zinman 2013). According to Chen and Rutherford (2013) the core microcredit product is holding steady and evolving incrementally; lending to small enterprise will remain a significant market segment; however, the author's data do not reflect any improvements in terms of real productivity; client demand for savings services is increasing but is inadequately met; there is growing momentum to create a special category of deposit-taking MFIs, and mobile phone payment services are developing rapidly. MFIs have also been expanding into insurance (Mobarak and Rosenzweig 2012; Karlan 2014) and other payments media (Jack and Suri 2011).

## 7.9 Conclusions

This chapter considered why the poor entrepreneur takes a loan, along with the future of microfinance and female entrepreneurship. The discussion section raised issues related to CSR and microfinance; factors relating to entrepreneurial capability; changes in microfinance sought since 2008; motivation towards microcredit; **sources of finance sought by micro entrepreneurs in Bangladesh** and Bangladeshi micro entrepreneurs based in the UK.

Domination of a few MFIs together with their overarching, predominantly commercial objectives and goals tended to smother the espoused goals inherent in the mission statement of helping poor entrepreneurs. The **trends and patterns of poverty in rural Bangladesh** were discussed. While the main purpose of decreasing global poverty and inequality is a noble one, micro finance in Bangladesh did not seem to be achieving this sufficiently. Some economists argue that inequality is adequate and, or even, acceptable and necessary to motivate individuals to work hard and improve their individual condition. However, it is well recognised that extreme inequality is harmful to democracy and is not sufficient for development (Piketty & Goldhammer, 2014). Consequently, operational and effective poverty alleviation programmes should be re-evaluated, modified and fortified in a drive for salient models that address the causes, prescriptions and consequences of poverty and poverty alleviation programmes.

## **CHAPTER 8**

### **Research Conclusions, Recommendations and Limitations**

#### **8.1 Summary**

The chapter concludes with a consideration of how this thesis adds to the theoretical understanding of the micro finance industry. This chapter, therefore, summarises the outcomes of the research with its data in Chapters Five and Six. This chapter introduces the overall presented recommendations to enhance the micro finance related activities among the Bangladeshi community. Finally, it reviews the limitations of the research.

#### **8.2 Introduction**

This chapter considers the conclusions and suggestions and the overall outputs of this research in a nutshell. The results of each of the four investigation questions will be examined in relation to the results identified in Chapters Five and Six and in relation to the wider literature as suggested in the literature review and contextual review chapters. Further, this chapter assesses the research's contribution to knowledge and its limitations and makes recommendations and proposals for future research.

#### **8.3 Conclusions related to the research questions**

The research questions investigated in this study were:

1. Has micro finance had a significant effect on women entrepreneurs in Bangladesh?
2. What factors influence the source of finance sought by micro business?
3. What motivates micro business applicants to approach micro finance institutions?
4. Is there any difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK?



On considering research question one, a theoretical contribution is the review of microfinance in the framework of Bangladeshi female entrepreneurship that had addressed the predominant gap in the literature. For example, in previous research Banerjee et. al (2015), do not comment on the degree to which microfinance is significant for female entrepreneurship, especially in the Mymensingh district of Bangladesh. The findings from this research suggest that there is no significant effect on entrepreneurship, but micro finance has a significant impact on mainly consumption-related expenditure. Such contribution could be used practically as a kernel in running further advanced research that could be a reproduction of this one, if intended to be exploratory, or further advanced if the research requests more. This could help in establishing comparative research in the region, specifically if the advanced research instrument is employed. Additionally, the identification of the effective definition of female entrepreneurship - work-life balance; domestic violence; and entrepreneurial activities - appears as a practical contribution; whereas it would substantially lead to a practical implication to any MFIs operating in the Bangladeshi market, as it will help them in setting their practices and align them with the operational and accepted definition acknowledged in the market. This would enhance the achievements and endurance of microfinance institutions and reduce their failures and losses considerably.

Reflecting on research question two, the theoretical contribution had been reached, in terms of underlining the critical factors of sources of finance. One of the main reasons for choosing sources of micro finance was the extreme poverty in Bangladesh, lack of other sources, especially low cultivation season and other visible characteristics such as age between 26 and 35 about 54.6% and 36-45 age group 39.5%, very low education. Also, indivisible attributes such as 84% of responded said they are fairly experienced user of microfinance. However, entrepreneurs do not have enough entrepreneurial skills. As discussed in Chapter Two, economic, social and environmental vulnerabilities play a vital role in influencing the source of finance sought by micro business. A practical conclusion was reached to identify the order of importance of how to choose a particular MFI within the Bangladeshi context. Upon doing so, the practical implication attained would be that MFIs would be able to use the research's developed instruments for internal and external stakeholders e.g. field representatives, management, microfinance regulatory authorities, intensity of rivalry among MFI's and

their client's influential factors. This research highlights these aspects to verify whether such micro financing activities fit the operational definition as well as its target and strategic direction of the microfinance institutes or not; which would serve in increasing the MFI's accomplishment and enhance its existence.

On considering research question three, the motivation factors of micro business applicants such as the communication skills of field representatives, trust among field representatives and microfinance users, timing of offering credit, size and service-related issues, including training, shows an important motivation causes, as discussed in the literature review and chapters on findings . The approach of microfinance institutions has been identified and main theoretical contribution seemed, which is upon asking the respondents their reason for seeking finance as well as in the recommendations reached by the researcher to enhance and address the microfinance situation in the Bangladeshi context. Furthermore, this question had main practical contributions represented in identifying the types of micro financing activities, drivers for and as well as ethical dimensions, taking into account dominance of some MFIs and reason for the significant growth of the micro finance industry in Bangladesh. The recommendations represent a framework that should be further pursued by the government and microfinance regulatory authorities to address this important rapid microfinance industry growth notion.

More importantly the theoretical answer to the research question four presented the difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs based in the UK. In the UK Bangladeshi entrepreneurs displayed a similar profile to those in Bangladesh in terms of experience, length of business and type of business. However, the research found differences in source of finances and gender. In the UK, small-scale Bangladeshi entrepreneurs are all mostly men whereas in Bangladesh 98.7 per cent were women. UK-based Bangladeshi entrepreneurs mainly utilised informal sources of finance and personal savings for their business activities, whilst formal, MFI-based finance was predominant in Bangladesh. Business owners' attitude to improving their abilities was a difficult factor to determine. External factors, such as the economic climate, indicate why they seek microfinance even though they may not be able to repay. The study highlighted a few aspects for consideration here. Microfinance has a positive impact in both Bangladeshi

communities in terms of helping to deal with consumption, though this is much more prevalent in Bangladesh as multiple lenders provide entrepreneurs loans, which were used to pay earlier debts owing to other MFI providers. The findings suggest that, mainly in Bangladesh, microfinance-based entrepreneurs collecting from one MFI to pay others is becoming normal practice, as its discussed in Chapter Five, and there are concerns about the impact of excessive interest rates, abusive lending practices, and over-indebtedness among poor borrowers.

#### **8.4 Contribution of the study to knowledge**

This study has identified areas where MFIs can develop their business strategy to further benefit the MFI's various stakeholders i.e. employees, manager, MFI regulatory body, competitors, and more importantly the user of microfinance.

It has contributed towards the development and extension of knowledge related to the effect on poor people, entrepreneurial skills, training and development, interest rates, a sustainable business within the micro finance industry in Bangladesh.

This study provided a better understanding of the issues i.e. the growing number of MFIs has enabled the user to take loans from one MFI to pay back another.

This study also highlighted entrepreneurial activities and consideration of other factors, including the difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bangladeshi micro entrepreneurs in the UK.

- For the user or practitioner perspective: This study highlights the importance of microfinance facilities, interest rate and training. The study also shows the rapid growth of MFIs, the dominance of a few large MFIs and easy to obtain microfinance, influencing more demand for microfinance-related activities.

- Government perspective: 90% responded negatively about microfinance and its contribution to eliminate poverty. This research sheds some light on governance, operations and regulatory issues of MFIs.

- Microloan provider perspective: Careful use of finance, staff training and development. MFIs should not only provide finance but also, they need to provide entrepreneurial development activities i.e. good and sustainable business idea, delivery and networking-related help, more community-based meetings.

In terms of Bangladeshi small-scale entrepreneurs who live in the UK: Even though Bangladeshi microfinance-based entrepreneurs geographically, socially and economically live in different areas, compared to Bangladesh, entrepreneurial activities are nevertheless similar. Due to permission to live in the UK or work permit-related restrictions, small-scale –financed based entrepreneurs are relying on non-formalised sources of finance. A diverse customer-driven base of East London markets gives UK-based Bangladeshi small-scale entrepreneurs enough revenue to sustain themselves.

**Table 8. 1: Research outputs as per research question in terms of theoretical and practical contributions and implications**

| Research Question 1  | Research Output   |   |  |   |
|--|---|---|--|---|
|  | Theoretical   |   | Practical  |   |
|  | Contribution  | Implication   | Contribution   | Implication   |
| <b>1. Has micro finance had a significant effect on women entrepreneurs in Bangladesh?</b> | Reviewing Bangladesh-microfinance context (historical development), Reasons for targeting women, female entrepreneurship, empowerment | Further advanced investigations in research with other target groups in Bangladesh and potential to run comparative analysis with other countries | Identify the way women entrepreneurs have been targeted by Bangladeshi microfinance institutions | Apart from financing, MFIs may develop training and development facilities in order to improve women entrepreneurial activities in Bangladesh. In particular, a distinction needs to be drawn between loans for consumption and loans for investment. Consumption loans have been found to be necessary and vital for poor rural Bangladeshi women just to ensure daily survival needs. Shouldn't target mainly poor and vulnerable women, microfinance |

|  |  |  |                                       |   |
|--|--|--|---------------------------------------|---|
|  |  |  |                                       | initiatives should be gender blind and promote entrepreneurship |
|  |  |  | Identify reason for domestic violence |   |

| Research Question 2   | Research Output   |             |   |  |
|---|---|-------------|---|--|
|   | Theoretical   |             | Practical   |  |
|   | Contribution  | Implication | Contribution  | Implication  |
| <b>What factors influence the source of finance sought by micro business?</b> | Several approaches i.e. Economic, CSR and ethical dimensions have been considered |             | Identify the order of importance of Economic, CSR and ethical dimensions in the Bangladeshi context | Government and MFI regulatory bodies may employ the research's developed instrument in identifying the motive behind both demand and supply side, and verify whether it fits the purpose well, as well as its target and strategic direction or effect of MFI's abnormal profit by creating tension in the society, may enhance the sustainability of microfinance institutions. |

| Research Question 3 | Research Output |             |              |             |
|---------------------|-----------------|-------------|--------------|-------------|
|                     | Theoretical     |             | Practical    |             |
|                     | Contribution    | Implication | Contribution | Implication |
|                     |                 |             |              |             |

|   |   |   |  |   |
|---|---|---|--|---|
| <b>What motivates micro business applicants to approach micro finance institutions?</b> | Identified real reasons for borrowing   | Provide solutions proposed to enhance and address the real economic situation in Bangladesh | Identified drivers for popularity of microfinance institutions in Bangladesh and Bangladeshi community             | Focus of clients is vital instead of rigid business model   |
|   | Develop recommendations by researcher to enhance the microfinance-based entrepreneurial situation in Bangladesh |   | Identified obstacles against micro business entrepreneurial activities in Bangladesh                               | Alternatives to microfinance i.e. financial cooperative and credit unions with continuous training and monitoring |
|   |   |   | Identified reason for crisis and issues related to seasonal effect on crops, loan for consumptions.                |   |
|   |   |   | Identified the effect of organisational size and rapid growth of micro financing activities, drivers and obstacles |   |

| <b>Research Question 4</b>   | <b>Research Output</b>   |   |  |   |
|--|--|---|--|---|
|  | <b>Theoretical</b>   |   | <b>Practical</b>   |   |
|  | <b>Contribution</b>  | <b>Implication</b>  | <b>Contribution</b>  | <b>Implication</b>  |
| <b>Is there any difference between the source of finance sought by micro entrepreneurs in Bangladesh and Bengali micro entrepreneurs</b> | Reviewing Bangladeshi microfinance-based users in London, context (historical development) | Further advanced investigations in research with other target groups in London and potential to run comparative analysis with other countries | Identified the way Bangladeshi microfinance-based entrepreneurs have been targeted by loan sharks in East London | UK Government and MFI regulatory body may employ the research's developed instrument in identifying the motive behind both demand and supply side, and verify whether it fits the |

|                  |  |  |   |  |
|------------------|--|--|---|--|
| based in the UK? |  |  |   | purpose well, as well as its target and strategic direction or effect of MFI's abnormal profit by creating tension in the society. This may enhance the sustainability of microfinance institutions  |
|                  |  |  | Identified reason for taking loan from loan sharks                    | Even though it is a geographically socially and economically different area , due to the permission required to live in the UK or work permit related restrictions, they may become victims of loan sharks. Though, diverse market of east London giving them enough revenue also good supply chain functions and distribution networks are helping them to do well. |
|                  |  |  | Kind of businesses Bangladeshi microfinance entrepreneurs tends to do |  |

## 8.5 Research recommendations

The impact of policy insinuations, both positive and negative, is evident from the analysis on the impact of micro finance. The jury is still out on whether microfinance has generated significant economic firmness, female empowerment or gender fairness. Besides, microfinance is diverse, complex and context-related. For poverty reduction and gender equity, the role of the state is vital for creating a framework where development interventions, including microfinance, can enhance and produce expected outputs. Different countries noticeably have different social, cultural, economic and political landscapes and women also face different opportunities and constraints in accessing microfinance and gaining benefits from it. Gender inequalities are still persistent in many countries in the world and the degree of inequalities are quite different and highly context-specific. The UK-based Bangladeshi communities may show similar gender relations to those who live in Bangladesh. Nevertheless, this research shows that microfinance is popular in Bangladesh although not popular to Bangladeshi women in East London.

Identification of precise restraints e.g. training, rapid growth of MFIs, lack of entrepreneurial skills from the demand side as well as the supply side will help to deal with the problems as well as develop adequate services and financial instruments. The restraints on the demand side can be limited family resources, lack of education, (mainly in Bangladesh) therefore an inability to understand entrepreneurship and the complicated borrowing and repayment process. The restraints on the supply side can be gender-blind microfinance policy, types of loan and lack of suitable alternatives. Discovery of specific grounds for the restraints will help MFIs and government agencies to develop appropriate solutions to deal with these origin causes (Chaudhry, 2008). In particular, a distinction needs to be drawn between loans for consumption and loans for investment. Consumption loans have been found to be necessary and vital for the poor rural Bangladeshi women to ensure daily survival needs. Microfinance institutions not only need to re-think their role but also need to develop relevant and measurable field representative's performance indicators that ensure the scope and direction of institution objectives are achieved, rather than displaced. Through BRAC's "Ultra Poverty Graduations Model" which is discussed in the literature review chapter, BRAC strongly believes that poor and vulnerable households can and must be equipped



to do more than just cope. Social protection interventions, such as cash transfers, food aid, school feeding and public works programmes must be carefully planned to build poor and vulnerable households and asset base as well as their confidence and social capital (i.e. gender empowerment, community inclusion) (BRAC, 2017).

In order to have a sustainable microcredit industry, the borrower must have the capacity to repay the loan under the terms by which it is provided. Otherwise, clients may not be able to benefit from credit, and risk being pushed into debt problems. Microcredit can't be a 'one size fits all' solution to fit the diversity of need. The microcredit should be carefully evaluated against the alternatives when choosing the most appropriate tool for the specific situation. This lengthy research has exposed several glitches with the current microfinance industry, in particular, Mymensingh district in Bangladesh and East London in the UK. It is well known, however, that micro finance institutions which are based in different countries are required to follow national banking regulations. The MFI regulatory body is improving its activities; however, MFIs very often operate in more than one country and hence are subject to follow the banking regulations of more than one country.

Though it may be possible to find productive and effective MFIs that have some beneficial effects, many researchers contend that the entire system in which these organisations operate is fundamentally flawed. The emphasis on the discrete accretion of wealth while abandoning the key role that local community collaboration can play in economic development is cited as a key flaw in micro finance policy (Harvey, 2011).

One of the positive aspects of micro finance which has been discussed in the literature review chapter is that micro finance institutions may play an integral role in reducing levels of poverty in a country. Although most governments attempt to tackle poverty, however, in most cases the governments of poor countries are unable to reduce poverty. Proper use of micro finance activities should create more job opportunities as well as promote new business. As microenterprise improvements, in all its diverse forms, continue to increase rapidly in numbers as a model for combating poverty and reducing unemployment, we must continually examine its relationship to entrepreneurial developments around homeworking, cottage industries, and micro-entrepreneurship in Bangladesh.

In this research, several respondents indicated that without the help of micro finance, their lives would have been very difficult. With the financial and other help of MFIs these micro entrepreneurs may be able to contribute to reducing the unemployment rate, and economic growth. Microfinance institutions should aid poor entrepreneurs with their business ideas. MFIs should support farmers to commercialise their farming and small-scale business activities.

Given the divergence between the theory and practice of credit schemes as discovered and argued by this research, in order to be effective the schemes need to develop a broader concept of financial services for poor men and women, for example, the necessity and desirability of a low interest rate environment; good supply chain management; entrepreneurial training and promotion of sustainable social entrepreneurship. In particular, a distinction needs to be drawn between loans for consumption and loans for investment. Consumption loans have been found to be necessary and vital for poor rural Bangladeshi women just to ensure daily survival needs, and only when these are fulfilled can these poor entrepreneurs be productive; more entrepreneurial activity may emerge. Micro finance institutions need to adopt measurable staff performance indicators to ensure the scope and direction of the espoused institutional policy rather than have them circumvented by operational objectives.

Also, more use of mobile phone-based transactions and use of cryptocurrency may be vital in order to reduce costs. As discussed in Chapter Three, Figure 3.5, developments in cryptography have facilitated a variety of applications and have combined with sensing technologies and biometrics to create better robust security systems. Application Programming Interfaces (APIs), mobile, internet technologies helping direct person-to-person transactions (P2P), and the direct funding of firms (crowd-funding) All have significant implications also for financial inclusion by permitting the "unbanked" consumers in low-income countries to access financial services for the first time (IMF, 2017). A further aim should be to reduce stress and anxiety arising from the interest costs of increasing debt. This research also has shown that micro finance, in its current form, has been ineffective for many of its borrowers and the long-term effects of these programmes are not yet known. Indeed, promotion of this type of

entrepreneurial capitalism as a panacea to global poverty may, in fact, prove to be destructive to economic systems in developing countries due to its thin approach and neglect for many external economic issues.

Rather than targeting mainly poor women, microfinance initiatives should promote entrepreneurship while alternative and more focused forms of finance may need to be made available to alleviate the daily survival issues that poverty and gender entail. We cannot ignore the interplay of poverty and gender and for real improvements to occur it is imperative to recognise poverty and gender issues as being a significant factor in the operational practice of micro finance. A failure to address these operational realities does not advance the social or real economic predicament of the Bangladeshi rural poor, but in many cases it may be making the current predicament worse in the medium to long-term.

Poor entrepreneurs need financial assistance, nevertheless such assistance needs to recognise and accommodate the socio-cultural context to be effective. Financial inputs will come in the form of appropriate savings. According to Banerjee et al (2015) the savings rate is improving and loan products have an equal emphasis on both these aspects. Social inputs will involve social collateral for the group as well as individual lending, and significant structural changes at the social level in both gender and class relationships, accompanied by a change in the attitude of all citizens, to ensure that positive impact results in substantially improving the quality of life of the women in Bangladesh. In the case of human inputs, it was experienced that a training needs analysis and motivational training with skills development and financial training would amplify the positive support of microfinance. This research also shows that in order to improve the quality of life and sustainable business, it is crucial to pay attention to the financial, social and human level connotations in the microfinance industry in developing nations like Bangladesh. As microenterprise improvements, in all its diverse forms, continue to increase rapidly in numbers as a model for combating poverty and reducing unemployment, we must continually examine its relationship to entrepreneurial development activities addressed around training, more use of technology, for example more mobile banking, and use of the internet for business purposes.

Islamic finance is also gaining popularity in Bangladesh as a significant population of Bangladesh is Muslim. The preference for Islamic finance- based institutions over conventional debt amongst less profitable firms is consistent with the notion that Islamic Finance Institutes attract cheaper sources of financing due to the ready demand created by the restricted Islamic financial market to lend or invest only according to Sharia' (Godlewski et al., 2013). Microfinance institutes in Bangladesh may need to explore some of the good practices from Islamic Finance Institutions.

The UK based Bangladeshi community really needs to engage more with small-scale business rather than being unemployed and shouldn't work mainly in retail shops as minimum wage employees. The lower income groups almost always have lower well-being than higher income groups.

## **8.6 Limitations**

The focus group interviews gave the chance to attempt to clearly articulate what basics were being inspected, but often it was evident that the respondents had another vision or perspective of these basics. For example, even though all elements were well-defined (such as interest rates, benefits, credit, training), these were very much open to skewed interpretation, biased by experience and level of interest in the subject view. Since the researcher engaged in an empirical study, bias cannot be ignored. Several approaches were adopted to limit it, e.g. focus group and quantitative data collection, which enabled cross evidence and compared opinions to be obtained. Nonetheless, a degree of bias will remain in this research as it relied on interpretivism and the researcher's interpretation is part of the research.

Further to that, a few numbers of the surveyed users of microfinance had no business, and business-related questions may not be valid for them. Another limitation of this research is that Bangladeshi microfinance users, including Mymensingh district-based borrowers, suffer from a lack of documentation as a significant number of users can't read or write. Most of the empirical data were collected from their responses.

The author had some issues during the data collection time in Bangladesh and Bangladeshi entrepreneurs in London. Businesses were not as helpful as expected in

conducting this research. There were several issues in participating in the research and it took considerable persuasion and experiments to get the interviews, as several London-based micro business owners are staying in the UK without a valid working visa.

This study is limited by timeframe and financial resources. This research is not like a national survey or census; therefore time and resources are limited. At the time of submission of the thesis, the macro economic factors in the country as they relate to the research might have changed. Hence, the findings as well as the possibility and choice of issues covered within the limited timeframe can be generalised with caution as the views of Bangladeshi in Bangladesh and East London- based Bangladeshi community.

We need to be cautious in assuming that inclusion necessarily leads to poverty reduction, particularly for those living in extreme poverty, which findings indicate is a boundary condition for market-led tactics to poverty reduction. This research can be seen as a counter-narrative to the micro finance institutions' point of view, seen from the perspective of the customer of micro finance. The fundamental objectives of some micro finance organisations may be well placed. The objective of decreasing global poverty and reducing inequality is an honourable one. While economists argue that inequality is acceptable, and many times necessary to motivate individuals to work hard and improve their individual condition, it is also well established that extreme inequality is harmful to democracy and is not required for continuous economic development (Piketty & Goldhammer, 2014). Hence, real poverty alleviation programmes should be fortified.

The research was conducted mainly in the East London area of the UK and the Mymensingh region of Bangladesh, therefore it takes the opinions of a small group of microfinance programme participants in Mymensingh and the East London regions. However, their experience sheds some light on the bigger and more complex picture of female empowerment, financial development, training, entrepreneurial skills, consumption, interest rate issues and the idea of what monetary aid, the aid organisation, or support really means.

## 8.7 Implications for further research

This research was exploratory in nature, and, therefore, provides many openings for further research. When one thinks ‘micro finance’ one typically thinks empowerment, poverty alleviation and also of a democratisation of the financial sector but in reality, in the last few years there's been a very heated debate about whether micro finance actually works at all as a concept to help poverty alleviation. There has also been heated debate on some of the moral compasses of some of the micro lenders. This research highlighted a few major concerns for micro finance borrowers and micro finance institutions. These important themes and issues are usage of loans for consumption spending, borrowing from multiple micro finance institutions concurrently, information irregularity, high interest rates, motivation factors of sources of finance and high female participation rate.

The research was limited to East London in the UK and the Mymensingh region of Bangladesh. A similar study using an identical methodology is desirable for local areas of Bangladesh and several places where UK-based Bangladeshi entrepreneurs are living, to establish whether hidden factors may have an impact on the growth and improvement of micro finance and entrepreneurial capabilities in micro business entrepreneurs. The suppositions and evidence confirmed here propose a resistance towards the use of technology and excessive pressure on loan officers or field representatives, and all these aspects need to be identified on a regional basis.

Reasonable and careful investment of IT technology in Bangladesh will increase more transparency and efficiency i.e. databases for different categories of microfinance users in terms of consumption purpose; return on investment; rate of use of capital; types of business chosen by entrepreneurs; different level of training; seasonal variations in terms of crop productivity and use of loan timing; and consideration of labour surplus issues during the lean period. In Bangladesh, there are two major seasonal deficiencies: late September to early November and from late March to early May. Almost no substitute farming activity takes place in the lean period, and the non-agricultural sector cannot adequately absorb the seasonally unemployed labour (Shonchoy and Kurosaki, 2014). Also, use of Cryptocurrency in the micro finance industry is also a very important area to investigate, mainly due to low transaction costs and transparency.

Microfinancing activities will work well by finding the right person for the right job. History suggests that humans are a good creator of innovative goods and services; humanity is self-centric: moneymaking has become an obsession and a purpose in itself. Further research will help to identify and explore how to turn people's strength into opportunities. Yet microcredit alone cannot overcome ingrained patriarchal systems of control. In spite of having access to credit, some female microcredit clients do not have control over the loans contracted or the income generated by the microenterprises (Sebstad and Chen, 1996). Further research will attempt to address the right use of less expensive sustainable technology for work processes and could also enhance productivity. Further research should also look at the process of using creativity and technology to solve problems in a business context.

Training related activities could be done at a different level i.e. Level 1 Certificate, Level 2 Diploma & Level 3 Professional. Also, future potential candidates are self-esteem, social recognition, improved expectations on future economic standpoints and improved confidence and reliability. However, the occurrence of other unmeasured factors cannot be omitted and is left to forthcoming research. Bandiera et al. (2015) conducted research on "Intervention Graduation Programme" which was discussed in the literature review in Chapter Two. This could be useful to combat issues faced by ultra-poor people.

Micro finance-related business will play an important role in the developing countries' economic systems, especially in Bangladesh and UK-based Bangladeshi communities. The results of this research demonstrated a number of areas that could be further investigated, including examining the positive and negative aspects of the micro finance industry, other social factors and genuine business opportunities in regional areas.

## 8.8 Conclusions

This chapter considered a contribution to knowledge by a better understanding of the effect of micro finance amongst poor people in Bangladesh and the Bangladeshi community in London, UK. It reviewed the recommendations projected by the researcher to enhance and address the effect of micro finance among the poor people. It is reasoned therefore that this thesis is significant in that it provides enhanced knowledge which adds to the understanding of how to tackle poverty and female entrepreneurship. Lastly, a limitation of the research is discussed so that readers and researchers can identify the impediments that this research had confronted. The findings from this study offer a glimpse into one specific area and a small segment of the borrowers who participate in microfinance programmes in Bangladesh and the UK. Although the evidence in this thesis provides sufficient support for this review, out of the many borrowers who participated in this study, only a very few mentioned that the use of micro finance loans had improved their economic status, and no participant mentioned that micro finance had transformed the loan seeker's life and brought them out of poverty. Some borrowers did mention that micro finance helped them to pay some bills, for illness and food consumption and specially for organising wedding events. Also, findings from the six countries show that a multifaceted approach is improving income, cost-effectiveness and well-being for extremely poor people (Banerjee et al., 2015).

Moreover, this research adds to the thesis and shows where further work would be beneficial. Several areas where information is lacking were highlighted in the literature review. The research opens up avenues for further work and this adds to the significance of the thesis. As such, the work in this thesis stands on its own merits. The objective of micro finance in terms of reducing poverty or poverty alleviation is an ideal thought. The impact of micro finance on the poor people and their issues are still being revealed. However, further work and continuous monitoring is vital for contemporary micro finance-related activities.





## REFERENCES

- Abdelaziz, G. S. (2001). *Service Quality in Egyptian Banking Dimensions and Their relative importance*, PhD thesis, University of Nottingham.
- Adams, C. (1987). *Across Seven Seas and Thirteen Rivers: Life Stories of Pioneer Sylheti Settlers in Britain*, London: Thap.
- Adams, D. W., Graham, D. H. and Pischke, J. D. (1984). *Undermining Rural Development with Cheap Credit*. Boulder, CO: Westview Press.
- ADB. (2007). Special Evaluation Study, *Effects of Microfinance Operations on Poor Rural Households and the Status of Women*, Operations Evaluation Department, September 2007, Manila.
- Adler, P. S. and Kwon, S. K. (2002). Social capital: Prospects for a new concept. *Academy of Management Review* 27(1): 17–40.
- Ahmad, M. M., & Townsend, J. G. (1998). ‘Changing fortunes in anti-poverty programs in Bangladesh’, *Journal of International Development*, 10, 427-438.
- Ahmed, F. E. (2003). *Low-income progressive men: Microcredit, gender empowerment, and the redefinition of manhood in rural Bangladesh* (Doctoral dissertation). Ann Arbor, MI: The Heller School for Social Policy and Management, Brandeis University.
- Ahmed, S. (2003). “*Microcredit and Poverty: New Realities and Strategic Issues*,” in *Attacking Poverty with Micro-credit*, Dhaka: UPL
- Al-Amin, M. D., and Chowdhury, T., (2008) Women, Poverty, and Empowerment: *An investigation into the dark side of microfinance*. Asian Affairs, Volume 30, No 2.
- Alpay, S. (2013). “SWOT Outlook of OIC Member countries,” A presentation at the 2nd International Conference on Islamic Economics and Economies of the OIC Countries (ICIE 2013) 29-30 January 2013, Kuala Lumpur.
- Amarnani, A. and Amarnani N. (2015). Impact of Microfinance on Poor Women: Lessons from Sabarkantha, Gujarat. *IIM Kozhikode Society & Management Review*. 4 (2), 92-105.
- Amarnani, A., Amarnani, N. and Achuthan, S. (2010): “Microfinance Sector in India: Evolution and Current Challenges”, *Nirma University Journal of Business and Management Studies*, 5(1&2): 25-45.

- Amin, R., Becker, S., & Bayes, A. (1998). NGO-promoted microcredit programs and women's empowerment in rural Bangladesh: Quantitative and qualitative evidence. *The Journal of Developing Areas*, 32(2), 221-236.
- Amin, S., Rai, A. S., & Topa, G. (2003). Does microcredit reach the poor and vulnerable? Evidence from Northern Bangladesh. *Journal of Development Economics*, 70, 59-82.
- Ananth, B., Karlan, D., Mullainathan, S. (2007), "Microentrepreneurs and Their Money: Three Anomalies," Working paper
- Anjugam, M. and Alagumani, T (2001). "Impact of microfinance through Self Help Groups: A case study", *Indian Journal of Agricultural Economics*, 56(3): p.458.
- Ansari, S. Munir, K. and Gregg, T. (2012). Impact at the 'bottom of the pyramid': The role of social capital in capability development and community empowerment. *Journal of Management Studies* 49(4): 813–842.
- Anwar, M. (1979). *The Myth of Return: Pakistanis in Britain*; Heinemann.
- Argawal, B. (2010). "Gender and Green Governance: The Political Economy of Women's Presence Within and Beyond Community Forestry." New York, NY: Oxford University Press.
- Armenda'riz de Aghion, B. and Morduch, J. (2005) *The Economics of Microfinance* (Cambridge, MA: MIT Press).
- Armenda'riz de Aghion, B. and Morduch, J. (2010) *The Economics of Microfinance*, 2nd ed. (Cambridge, MA: MIT Press).
- Armendáriz de Aghion, B. (1999a). "On the design of a credit agreement with peer monitoring." *Journal of Development Economics* 60: 79–104.
- Armendáriz, B. and Morduch, J. (2005). "Microfinance: Where do we stand?" Forthcoming in Charles Goodhart, ed., *Financial Development and Economic Growth: Explaining the Links*. London: Macmillan/Palgrave.
- Arora, S. and Romijn, H. (2012). The empty rhetoric of poverty reduction at the base of the pyramid. *Organization* 19(4): 481–505.
- Arsyad, L. (2005). An Assessment of Microfinance Institution Performance: The Importance of Institutional Environment, *Gadjah Mada International Journal of Business*, September-December 2005, Vol. 7, No.3, pp.391-427.
- Arunachalam, R. (2011): *The Journey of Indian Micro-Finance: Lessons For the Future*. Chennai.

- Associated Press. (2012). Hundreds of suicides in India linked to microfinance organizations. Available from : <http://www.businessinsider.com/hundreds-of-suicides-in-india-linked-to-micro-finance-organizations-2012-2?IR=T> [Accessed 14 April 2016].
- Augsburg, B., De Haas, R., Harmgart, H. and Meghir, C. (2012). The Impacts of Microcredit: Evidence from Bosnia and Herzegovina. NBER Working Paper No. w18538. Available at SSRN: <http://ssrn.com/abstract=2178317>
- Ault, J. K., & Spicer, A. (2013). The institutional context of poverty: State fragility as a predictor of cross-national variation in commercial microfinance lending. *Strategic Management Journal*, forthcoming.
- Bajracharya, A., & Amin, S. (2013). Microcredit and domestic violence in Bangladesh: An exploration of selection bias influences. *Demography*, 50, 1819-1843.
- Balboni, C., Bandiera, O., Burgess, R., & Kaul, U. (2015). Transforming the economic lives of the ultra-poor. IGC Growth Brief Series 004. London.
- Baliamoune-Lutz, M. N. and McGillivray, M. (2008). State fragility: concepts and measurement. Working Paper 2008/44, *World Institute for Development Economics Research*, Helsinki, FI.
- Bandiera, O., Buehren, N., Burgess, R., Goldstein, M., Gulesci, S., Rasul, I. and Sulaiman, M. (2012b) "Empowering Adolescent Girls: Evidence from a Randomized Control Trial in Uganda", mimeo, LSE
- Bandiera, O., Burgess, R., Gulesci, S., Rasul, I. and Sulaiman, M. (2012a). "Can Basic Entrepreneurship Transform the Economic Lives of the Poor?" mimeo, LSE.
- Banerjee, A. V. and Duflo, E. ( 2007). "The Economic Lives of the Poor." *Journal of Economic Perspectives*, 21 (1): 141-168.
- Banerjee, A. V. and Duflo, E. (2011). Poor Economics, Public Affairs: New York.
- Banerjee, A. V., Besley, T. and Guinnane, T. W. (1994). Thy neighbor's keeper: the design of a credit cooperative with theory and a test, *Quarterly Journal of Economics*, vol. 109(2), (May), pp. 491–515.
- Banerjee, A., Duflo, E. and Glennerster, R. (2014). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics* 7(1): 22–53.

- Banerjee, A., Duflo, E., Glennester, R. & Kinnan, C. (2013). The miracle of microfinance? Evidence from a randomized evaluation. (Working paper 13-09). Massachusetts Institute of Technology: Department of Economics
- Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., Shapiro, J., Thuysbaert, B. & Udry, C. (2015). 'A multifaceted program causes lasting progress for the very poor: *Evidence from six countries*' *Science*, vol 348, no. 6236, 1260799. DOI: [10.1126/science.1260799](https://doi.org/10.1126/science.1260799)
- Banerjee, S. B. (2008). Corporate social responsibility: The good, the bad and the ugly. *Critical Sociology* 34(1): 51–79.
- Banerjee, S. B. and Jackson, L. (2016). Microfinance and the business of poverty reduction: Critical perspectives from rural Bangladesh. *Human relations*, pp. 1–29.
- Bangladesh Bureau of Statistics. (1992). Report on Bangladesh Literacy Survey. Available at: <http://www.bbs.gov.bd/WebTestApplication/userfiles/Image/LatestReports/Bangladesh%20Literacy%20Surver%202010f.pdf>. [Accessed 20 February 2013]
- Bangladesh Bureau of Statistics. (1992). Report on Integrated Annual Survey of Non-Farm Economic Activities 1989-90 (Some Selected Industries), October 1992. Reproduction Documentation & Publication Wing, Secretariat, Dhaka, p156.
- Bangladesh Bureau of Statistics. (2011). *Report on the Bangladesh Literacy Survey, 2010*. Available at: <http://203.112.218.65:8008/WebTestApplication/userfiles/Image/LatestReports/Bangladesh%20Literacy%20Surver%202010f.pdf> [Accessed 17 September 2012]
- Bastiaensen, J. (2009), “Microfinance and social impact: a tentative review”, Institute of Development Policy and Management, University of Antwerp, Belgium.
- Bastiaensen, J. and Marchetti, P. (2007), “A critical review of CGAP-IADB policies inspired by the Fondo de Desarrollo Local, Nicaragua,” *Enterprise Development and Microfinance* 18(2/3): 143-157.
- Bateman, M. (2010). Why Microfinance Doesn’t Work? *The Destructive Rise of Local Neoliberalism* (London: Zed Books).
- Bateman, M. (2011). (Ed.) *Confronting Microfinance: Undermining Sustainable Development*. Sterling VA: Kumarian Press.

- Bateman, M. (2012). The Role of Microfinance in Contemporary Rural Development Finance Policy and Practice: Imposing Neoliberalism as 'Best Practice'. *Journal of Agrarian Change*, 12, pp.587-600.
- Bateman, M. (2013). The age of microfinance: Destroying Latin American economies from the bottom up. (Working paper 39). OFSE-Austrian Foundation for Development Research.
- Bateman, M. and Chang, H. J. (2012). Microfinance and the illusion of development: From hubris to nemesis in thirty years. *World Economic Review* 1: 13–36.
- Bateman, M. and Chang, H.-J. (2009). The microfinance illusion. at <http://www.econ.cam.ac.uk/faculty/chang/pubs/Microfinance.pdf>. [Accessed 20 June 2013].
- Battilana, J. and Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal* 53(6): 1419–1440.
- BBC. (2013). The Bangladesh poor selling organs to pay debts. Available at: <http://www.bbc.co.uk/news/world-asia-24128096> (Accessed 14 April 2016).
- Benini, A., von Büna, P., Haque, M. and Nath, B. (2011). 'RDRS and the Poor: Microfinance as Partnership. Twenty years of microfinance in RDRS Bangladesh', Dhaka and Rangpur, RDRS Bangladesh and North Bengal Institute
- Bennett, R. J. & Robson, P. J. A. (2003). Changing use of external business advice and government supports by SMEs in the 1990s. *Regional Studies* 37(8), 795-811.
- Berg, C. and Emran, M. (2011). 'Does Microfinance Help the Ultra poor Cope with Seasonal Shocks? Evidence from Seasonal Famine (Monga) in Bangladesh', 30 March 2011
- Berkowitz, S. (1997). Analysing Qualitative Data. In J. Frechtling, L. Sharp, and Westat (Eds.), *User-Friendly Handbook for Mixed Method Evaluations* (Chapter 4). Retrieved June 21, 2006 from National Science Foundation, Directorate of Education and Human Resources Available at: [http://www.ehr.nsf.gov/EHR/REC/pubs/NSF97-153/CHAP\\_4.HTM](http://www.ehr.nsf.gov/EHR/REC/pubs/NSF97-153/CHAP_4.HTM)
- Berry, A. J. & Sweeting, R. & Goto, J. (2006). The effect of business advisers on the performance of SMEs. *Journal of Small Business and Enterprise Development*, 13(1), 33-47

- Besley, T. and Coate, S. (1995). Group lending, repayment incentives and social collateral, *Journal of Development Economics*, vol. 46(1), (February), pp. 1–18.
- Blake, S. and de Jong, E. (2008) *Short changed? Financial exclusion –a guide to donors and funders*. London: New Philanthropy Capital.
- Boddy, D. (2017). *Management*. 7th ed. Harlow: Pearson.
- Bogdan, R. B. & Biklin, S. K. (1998). *Qualitative Research for Education: An Introduction to Theory and Methods*, Third Edition. Needham Heights, MA: Allyn and Bacon.
- Boserup, E. (1970). *Women's role in economic development*. London, England: George Allen & Unwin.
- Boyer, R. and Drache, D. (1996). *States Against Markets: The Limits of Globalization*. USA and Canada: Routledge. 84-85.
- BRAC. (2017). *BRAC's Ultra-Poor Graduation Programme An end to extreme poverty in our lifetime*. Available at:  
<https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2017/04/Lamia-Rashid-BRAC-Ultrapoorest-Graduation-Paper-for-UN-Expert-Group-Meeting-May-2017-25Apr17.pdf> [Accessed 10 August 2017]
- Bradley, S., McMullen, J. and Artz, K. (2012). Capital is not enough: Innovation in developing economies. *Journal of Management Studies* 49(4): 684–717.
- Bradshaw, T. K. (2007). Theories of poverty and anti-poverty programs in community development. *Journal of Community Development Studies* 38(1): 7–25.
- Breen, R. (2006). A practical Guide to Focus Group Research. *Journal of Geography in Higher Education*, 30(3), 463 - 475.
- Brooks, I. (2009). *Organisational behaviour : individuals, groups and organisation*. Harlow: Financial Times/Prentice Hall.
- Bruhn, M., Karlan, D. and Schoar, A. (2010). “What Capital is Missing in Developing Countries?” *American Economic Review Papers & Proceedings*: 629-633.
- Bruton, G., Khavul, S. and Chavez, H. (2011). Microlending in emerging economies: Building a new line of inquiry from the ground up. *Journal of International Business Studies* 42(5): 718–739.

- Bryan, G., Chowdhury, S. and Mobarak, A. M. (2014). "Under-Investment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh," *Econometrica*.
- Bryan, J. (2006). Training and performance in small firms. *International Small Business Journal*, 24(6), 656-660
- Bryman, A. and Bell, E. (2003). *Business Research Methods*, Oxford: Oxford University Press.
- Buerkle, E. (2010). Access to Finance and the Impact of Microloans Case Study of the Microfinance Sector in Tajikistan. Tajikistan: GTZ.
- Burjorjee, D. M., Deshpande, R. and Weidemann, C. J. (2002). Supporting Women's Livelihoods Microfinance that Works for the Majority. A guide to Best Practices. United Nations Capital Development Fund, Special Unit for Microfinance.
- Burrell, G. & Morgan, G. (1979). *Sociological Paradigms and Organizational Analysis*, Heinemann, 1-37
- Carroll, A. B. & Buchholtz, A. K. (2008). *Business and Society*, International student edition: ISBN-13:978-0-324-5865-5
- Carter, C., Gartner, W. and Reynolds, P. (1996). Exploring start-up event sequences. *Journal of Business Venturing* 11: 151–166.
- Cassar, G. (2004). The financing of business start-ups. *Journal of Business Venturing* 19: 261–283.
- Cavana, R. Y., Delahaye, B. L. & Sekaran, U. (2001). *Applied Business Research: Qualitative and Quantative Methods*. Sydney. John Wiley & Son.
- Centre for Financial Inclusion. (2011). *Implementing client protection in microfinance: The state of the practice, 2011*. Centre for Financial Inclusion at ACCION International. Available at:  
[https://centerforfinancialinclusionblog.files.wordpress.com/2011/11/111108\\_smart-campaign\\_implementing-client-protection-in-microfinance-state-of-the-practice-2011\\_final.pdf](https://centerforfinancialinclusionblog.files.wordpress.com/2011/11/111108_smart-campaign_implementing-client-protection-in-microfinance-state-of-the-practice-2011_final.pdf) [Accessed 20 March 2015].
- CGAP (2016). *Advancing financial inclusion to improve the lives of the poor*. Available at: <http://www.cgap.org/topics/product-development> (Accessed on 10 February 2016)



- CGAP (2016). *Product Development CGAP*. Available at: <http://www.cgap.org/sites/default/files/CGAP-Focus-Note-Competition-and-Microcredit-Interest-Rates-Feb-2006.pdf> [Accessed 13 July 2016].
- CGAP (Consultative Group to Assist the Poor). (2004). "Financial Institutions with a 'Double Bottom Line': Implications for the Future of Microfinance." Occasional Paper 8. Consultative Group to Assist the Poor, Washington, DC.
- CGAP. (2006). *Country level effectiveness and accountability review: Sri Lanka*. Washington, DC: CGAP.
- Chakravarti, D. (2006). Voices unheard: The psychology of consumption in poverty and development. *Journal of Consumer Psychology* 16(4): 363–376.
- Chambers, R. (1995). Poverty and livelihoods: Whose reality counts? *Environment and Urbanization* 7(1): 173–204.
- Chen, G. and Rutherford, S. (2013). "A Microcredit Crisis Averted: The Case of Bangladesh." Focus Note 87. Washington, D.C.: July
- Chen, G., Rasmussen, S. & Reille, X. (2010). *Growth and vulnerabilities in microfinance*. Washington, DC: Consultative Group to Assist the Poor (CGAP).
- Cheston, S., & Kuhn, L. (2002). Empowering women through microfinance. Retrieved from [http://www.micro-creditsummit.org/papers/p5cheston\\_kuhn.pdf](http://www.micro-creditsummit.org/papers/p5cheston_kuhn.pdf)
- Chin, Y. M. (2012). Credit program participation and decline in violence: Does self-selection matter? *World Development*, 40, 1690-1699.
- Choudhury, S. H. (2003). "Financing the Poor: ASA Experience," The Daily Star Dhaka.
- Chowdhury, A. (2009). 'Microfinance as a poverty reduction tool – a critical assessment', DESA Working Paper No. 89. New York: United Nations Department of Economic and Social Affairs.
- Chowdhury, M. and Cash, R. (1996). A Simple Solution: Teaching Millions to Treat Diarrhoea at Home, Dhaka: UPL.
- Churchill, G. A. & Iacobucci, D. (2004). *Marketing research: Methodological foundations*, 9th ed, Thomson South-Western, Ohio.
- Clark, A. M. (1998), "The Qualitative-Quantitative Debate: Moving from Positivism and Confrontation to Post-Positivism and Reconciliation". In: *Journal of Advanced Nursing*, Vol. 27, pp. 1242-1249.

- Coleman, B. E. (1999). The impact of group lending in northeast Thailand. *Journal of Development Economics*, 60(1), pp. 105–141.
- Collins, D., Morduch, J., Rutherford, S. and Ruthven, O. (2009). *“Portfolios of the Poor: How the World’s Poor Live on \$2 a Day.”* New Jersey: Princeton University Press.
- Connelly, M. P., Li, T. M., MacDonald, M., & Parpart, J. L. (2000). Feminism and development: Theoretical perspectives. In J. Parpart, M. P. Connelly, & V. E. Barribeau (Eds.), *Theoretical perspectives on gender and development*. Ottawa, Canada: IDRC.
- Conning, J. (1999). “Outreach, sustainability and leverage in monitored and peer-monitored lending”, *Journal of Development Economics*, Vol. 60 -1999, pp. 51–77.
- Cook, T. A. and Reichardt, C. S. (1979). Beyond qualitative versus quantitative methods. In Cook, T. A. & Reichardt, C. S. (eds.). *Qualitative and quantitative methods in evaluation research*, Beverly Hills: Sage.
- Country Economy (2015). *Bangladesh - Literacy rate*. Available at: <https://countryeconomy.com/demography/literacy-rate/bangladesh> [Accessed 16 June 2016].
- Credit and Development Forum. (1997) “CDF Statistics,” Dhaka, Bangladesh.
- Creevey, L. (1996). *Changing women’s lives and work: An analysis of the impacts of eight microenterprise projects*. London, UK: IT Publications.
- Creswell, J. W. (2003). *Research design: Qualitative, quantitative, and mixed methods approaches* (2nd ed.). Thousand Oaks, CA: Sage.
- Creswell, J. W. and Plano Clark, V. (2007). *Designing and Conducting Mixed Methods Research*. Thousand Oaks, CA: Sage.
- Crowther, D. & Caliyurt, K. T. (2004b). Corporate Social Responsibility Improves Profitability; in Crowther, D. & Caliyurt, K. T. (eds), *Stakeholders and Social responsibility*, Penang; Ansted University Press; pp 243-266
- Crypto coins News. (2016). *What is Cryptocurrency?* Available at: <https://www.cryptocoinsnews.com/cryptocurrency/> [Accessed 23 May 2016].
- Cull, R., Demirguc-Kunt, A. and Morduch, J. (2007). Financial performance and outreach: A global analysis of leading microbanks. *The Economic Journal* 117(517): F107–F133.

- Cull, R., Demirguc-Kunt, A. and Morduch, J. (2009). "Microfinance Meets the Market." *Journal of Economic Perspectives*, 23 (1): 167-92.
- Curran, J. and Blackburn, R. (2001). *Researching the Smaller Enterprise*, London and New York: Sage.
- Dallberg (2015) The Landscape for Impact Investing in South Asia. Available at: [http://www.pebblechild.com/wp-content/uploads/2015/01/Bangladesh\\_GIIN\\_southasia.pdf](http://www.pebblechild.com/wp-content/uploads/2015/01/Bangladesh_GIIN_southasia.pdf) [Accessed 20 June 2016]
- Dawson, S. (1986, 2nd edn 1992) *Analysing Organizations*, London: Macmillan.
- Dayson, K. and Quach, H. (2006), *Toward a Performance Assessment of Microfinance Institutions in Europe*, Finance and The Common Good, No. 25, Autumn 2006.
- De Mel, S., McKenzie, D. and Woodruff, C. (2008). "Who Are the Microenterprise Owners? Evidence from Sri Lanka on Tokman v. de Soto", *Policy Research Working Paper 4635*, The World Bank.
- Debarati, H., & Jaishankar, K. (2012). *Cyber Crime and the Victimization of Women: Laws, Rights and Regulations*. Hershey, PA: Information Science Reference
- Deshpande, R. (1983). "Paradigms Lost: On Theory and Method in Research in Marketing". In: *Journal of Marketing*, Vol. 47, No. 4, pp. 101-110.
- Develtere, P. and Huybrechts, A. (2005). The Impact of Microcredit on the Poor in Bangladesh. *Alternatives: Global, Local, Political*. 30 (2), 165-189.
- Dewald, W. G., Thursby, J. G. and Anderson, R. G. (1986) Replication in empirical economics: The Journal of Money, Credit and Banking Project. *American Economic Review*, 76(4), pp. 587–603.
- Diamond, D. W. (1984). "Financial Intermediation and Delegated Monitoring." *The Review of Economic Studies*, Volume 51, Issue 3, Pages 393–414.
- Dichter, T. (2007). A second look at microfinance: The sequence of growth and credit in economic history. Development policy briefing paper No 1, Center for Global Liberty and Prosperity, CATO Institute.
- Dichter, T. W. and Harper, M. (2007). *What's Wrong with Microfinance?* Rugby: Practical Action Publishing.
- Dick, R. (1997). What is "action research"? Occasional pieces in action research methodology. Available online at

- <http://www.scu.edu.au/schools/gcm/ar/arm/op002.html>. [Accessed 20 June 2016]
- Dieckmann, R. (2007). Microfinance: An Emerging Investment Opportunity. Current Issues. Deutsche Bank Research.
- Doeringer, P. B., Gourevitch, P., Lange, P., & Martin, A. (1981). (Eds) Industrial relations in international perspective: Essays on research and policy. New York: Holmes & Meier Publishers.
- Drolet, J. (2008). Women and Micro Credit: Women's experiences in Cairo, Egypt. Saarbrücken, Germany: VDM Verlag
- Drolet, J. (2009). A critique of micro credit: Women's experiences in Cairo, Egypt. *Social Development Issues*. 31 (1), 55-68.
- Drolet, J. (2010). Feminist Perspectives in Development: Implications for Women and Microcredit. *Journal of Women and Social Work*. 25 (3), 212-223.
- Duvendack, M., Palmer-Jones, R., Copestake, J.G., Hooper, L., Loke, Y. and Rao, N. (2011) What is the Evidence of the Impact of Microfinance on the Well-being of Poor People? (London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London).
- Eade, J. and Garbin, D. (2005) The Bangladeshi Diaspora: Community Dynamics, Transnational Politics and Islamist Activities, London: Foreign and Commonwealth Office, pp 27.
- Easterby-Smith, M., Thorpe, R., and Lowe, A. (2002) Management Research: an introduction. London: Sage.
- EMN. (2016). EMN. Available at: <http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=34>. [Accessed 14 May 2016].
- Epstein, J. L. (1987). Toward a theory of family-school connections: Teacher practices and parent involvement. In: Hurrelman K, Kaufmann FX, Sel FL, editors. Social intervention: Potential and constraints. Berlin: Walter de Gruyter; pp. 121–136
- European Microfinance. (2010-2013). *Microfinance by country*. Available at: <http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=34>. [Accessed 03 December 2016].
- Fair Business Loans. (2016). *Fair Business Loans*. Available at: <https://www.fairfinance.org.uk/business-loans/>. [Accessed 13 July 2016].

- Fair Finance. (2016). *Interactive Map with Volume of Business Loans UK Applications*.  
[ONLINE] Available at: <http://www.fairfinance.org.uk/map/interactive-map/>.  
[Accessed 08 August 2016].
- Ferguson, A. (1996). Bridge identity politics: An integrative feminist ethics of international development. *Organization: Rewriting globalization*, 3, 571-587.
- Fernando, J. L. (2004). *Microfinance: Perils and prospects*, Routledge.
- Field, E., Pande, R. and Papp, J., (2013). Does the classic microfinance model discourage entrepreneurship among the poor? Experimental evidence from India. *The American Economic Review* 103(6): 2196–2226.
- Firdausy, C. and Mulya, C. (1999). “Women Entrepreneurs in SMEs in Indonesia,” International Conference of Women Entrepreneurs in SMEs in the APEC Region, APEC Project on SME, 02/98, Singapore, APEC Secretary.
- Foddy, W. (1993): *Constructing Questions for Interviews and Questionnaires: Theory and Practice in Social Research*. Cambridge: Cambridge University Press.
- Forman, C. (1989). *Spitalfields: A Battle for Land*. London: Hilary Shipman.
- Frankfort-Nachmias, C. & Nachmias, D. (1996). *Research Methods in the Social Sciences*. Fifth edition. London: St Martin’s Press.
- Frazer, L. & Lawley, M. (2000). *Questionnaire design & administration: A practical guide*. Brisbane, Aust: John Wiley & Sons, Australia
- Fugelsang, A. and Chandler, D. (1993). Participation as a Process—What We Can Learn from Grameen Bank, Bangladesh, rev. ed. Dhaka: Grameen Trust.
- Gaiha, R. and Nandhi, M.A. (2005) *Microfinance, self-help groups and empowerment in Maharashtra*, Rome: IFAD.
- Gaile, G. L. and Foster, J. (1996). Review of methodological approaches to the study of the impact of microenterprise credit programs. Report submitted to USAID Assessing the Impact of Microenterprise Services (AIMS).
- Gandja, S. V., Estay, C. and Tchankam, J. P. (2016). Alternative Finance for Micro-Enterprises: A Foundation for Sustainable Development or Just Humanitarian Aid? *Special Issue: Microfinance and Crowdfunding*. 24 (1), 33-47.
- Garbin, D. (2004). ‘Community, Multi-Culturalism and The Diasporic Negotiation of Space and Identity in the East End of London’ in F. Eckhardt & D. Hassenpflug (eds), *Consumption and the Post-Industrial City*, Frankfurt: Peter Lang.

- Garikipati, S. (2012). "Microcredit and Women's Empowerment: Through the Lens of Time-Use Data from Rural India", *Development and Change*, 43, 719-750.
- Garikipati, S. (2008). "The Impact of Lending to Women on Household vulnerability and Women's Empowerment: Evidence from India", *World Development*, Vol. 36, No. 12, pp. 2620–2642.
- Ghatak, M. (2000). Screening by the company you keep: joint liability lending and the peer selection effect, *Economic Journal*, vol. 110(465), (July), pp. 601–31.
- Ghatak, M., (1999). Group lending, local information and peer selection, *Journal of Development Economics*, vol. 60(1), (October), pp. 27–50.
- Ghauri, P.N. and Gronhaug, K. (2002). *Research Methods*, 2nd Ed, Essex: Prentice Hall.
- Ghosh, J. (2011). "Cash transfers as the silver bullet for poverty reduction: A sceptical note", *Economic and Political Weekly*, 46(21), pp. 67–71.
- Gibbons, D.S. and Meehan, J.W. (2000). *The Microcredit Summit Challenge: Working Towards Institutional Financial Self-Sufficiency while Maintaining a Commitment to Serving the Poorest Families*.
- Gill, R. and Stewart, D. E. (2011). Relevance of gender-sensitive policies and general health indicators to compare the status of South Asian women's health. *Women's Health Issues*, 21, 12-18.
- Global index. (2016). *Global index*. Available at: <http://www.worldbank.org/en/programs/globalindex>. [Accessed 12 May 2016].
- Godlewski, J., Turk-Ariss, R. & Weill, L. (2013). "Sukuk vs. conventional bonds: A stock market perspective," *Journal of Comparative Economics*, Elsevier, vol. 41(3), pages 745-761.
- Goetz, S. M., & Sen Gupta, R. (1996). "Who Takes the Credit? Gender, Power, and Control Over Loan Use in Rural Credit Programs in Bangladesh", *World Development*, Vol. 24, No. 1, pp. 45-63.
- Golasfshani, N. (2003). Understanding Reliability and Validity in Qualitative Research, in *The Qualitative Report*, Vol. 8, no. 4: 597 -607.
- Gold, J. and Thorpe, R. (2008). 'Training, it's a load of crap!: the story of the hairdresser and his 'Suit'', *Human Resource Development International*, 11(4): 385-399.
- Goldberg, N. (2005). *Measuring the impact of microfinance: taking stock of what we know*. Grameen Foundation USA Publication Series, December

- Goode, W. J. (1971). Force and violence in the family. *Journal of Marriage and Family*, 33, 624-636.
- Grameen Bank. (2002). Annual Report 2001. Dhaka: Grameen Bank.
- Gurumoorthy, T. R. (2000). Self Help Groups empower rural women. *Journal of Kurukshetra*. 48(5):36-39.
- Hadi, A. (2000). Prevalence and correlates of the risk of marital sexual violence in Bangladesh. *Journal of Interpersonal Violence*, 15, 787-805.
- Hammill, A., Matthew, R., and McCarter, E. (2008). Microfinance and climate change adaptation. *Institute of Development Studies Bulletin* 39(4): 113–122.
- Hannam, M., & Cheng, P. (2012) 'Financing sustainable micro-lending in London', *Strategic Change*, 21 (7/8): 369-378.
- Hannan, M. and Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review* 49: 149–164.
- Harper, M. (2007). “Is microcredit good for poor people? A note on the dark side of microfinance”, in: Ditcher T. and Harper, M. (eds.) what’s wrong with microfinance, UK, Practical Action Publishing
- Harper, M. (2007). “Some final thoughts”, in: Ditcher T. and Harper, M. (eds.) what’s wrong with microfinance, UK, Practical Action Publishing.
- Harvey, D. (2011). The future of the commons. *Radical History Review* Winter 109: 101-107. Retrieved April 5, 2014. doi:10.1215/01636545-2010-017.
- Hashemi, S. M., Schuler S. R. Ann Riley, P. (1996). “Rural Credit Programs and Women’s Empowerment in Bangladesh”, *World Development*, Vol. 24, No. 4, pp. 635-653.
- He, D., Leckow, R., Haksar, V., Mancini-Griffoli, T., Jenkinson, N., Kashima, M., Khiaonarong, T., Rochon, C. and Tourpe, H. (2017). “Fintech and Financial Services: Initial Considerations”, IMF Staff Discussion Note. [Online] Available at: <https://www.imf.org/~media/Files/Publications/SDN/2017/sdn1705.ashx> [Accessed 9 October 2017].
- Hofer, B. K. and Pintrich, P.R. (1997). The Development of Epistemological Theories: Beliefs About Knowledge and Knowing and Their Relation to Learning. In: *Review of Educational Research*, Vol. Spring 67, pp. 88-14.
- Holvoet, N. (2006). The Differential Impact on Gender Relations of ‘Transformatory’ and ‘Instrumentalist’ Women’s Group Intermediation in Microfinance

- Schemes: A Case Study for Rural South India. *Journal of International Women's Studies*, 7(4), 36-50.
- Hornung, C. A. (1977). Social status, status inconsistency, and psychological stress. *American Sociological Review*, 42, 623-638.
- Hossain, M. (1988). *Credit for the alleviation of rural poverty: The Grameen Bank in Bangladesh* (Research Report No. 55). Washington, DC: IFPRI.
- Hudson, M. (2007). Fair interest rates when lending to the poor. *Éthique et économique/Ethics and Economics*, 5 (1),
- Hulme, D. (2000). "Impact Assessment Methodologies for Microfinance: Theory, Experience and Better Practice", *World Development Vol. 28, No.1, pp.7-998*.
- Hulme, D. & Arun, T. (2011). What's wrong and right with microfinance. *Economic and Political Weekly*, XLVI(48), 23–26.
- Hulme, D. & Mosley, P. (1996). *Finance against poverty*. London, England: Routledge.
- Hulme, D. and Maitrot, M. (2014). *Has Microfinance Lost its Moral Compass?* Manchester, UK: University of Manchester, Brooks World Poverty Institute.
- Hunt, J. & Kasynathan, N. (2001). Pathways to empowerment? Reflections on microfinance and transformation in gender relations in South Asia. *Gender & Development*, 9(1), 42-52.
- Hussain, A. M. (1998 ed.). 'Poverty Alleviation and Empowerment: the second impact assessment study of BRAC 's Rural Development Program' BRAC publications, Dhaka
- Hussey, J. and Hussey, R. (1997). *Business research: A practical guide for graduates and postgraduates*, UK: Palgrave Publishing.
- Hussey, J. and Hussey, R. (1997). *Business research*. Basingstoke: Macmillan
- Institute of Microfinance. (2015). "Dynamics of Poverty in Rural Bangladesh". Available at: [http://inm.org.bd/wp-content/uploads/2016/01/dynamics\\_poverty.pdf](http://inm.org.bd/wp-content/uploads/2016/01/dynamics_poverty.pdf) [Accessed 9 December 2015]
- Islam, T. (2007). *Microcredit and poverty alleviation*. Burlington, VT: Ashgate Publishing Company.
- Jack, W. and Tavneet, S.(2011). "The Risk Sharing Benefits of Mobile Money", Working Paper, January 2011.



- Jain, P. and Moore, M. (2003). "What Makes Microcredit Programmes Effective? Fashionable Fallacies and Workable Realities," IDS Working Paper 177, University of Sussex.
- Jamali, D. & Mirshak, R. (2007). Corporate Social Responsibility (CSR): Theory and Practice in a Developing Country Context. In: *Journal of Business Ethics*, Vol. 72, No. 3, pp. 243-262.
- Jamali, D. & Sidani, A., (2012), *CSR in the Middle East: Fresh Perspectives*, Palgrave Macmillan Haskell, Hampshire: United Kingdom.
- Jamali, D., Zanhour, M. & Keshishian, T., (2009), Peculiar Strengths and Relational Attributes of SMEs in the Context of CSR. In: *Journal of Business Ethics*, Vol. 87, pp.355–377
- Jaquette, J. S. (1982). Review: Women and modernization theory: *A decade of feminist criticism*. *World Politics*, 34, 267-284.
- Jay, L. & Schaper, M. (2003). Which advisers do micro-firms use? Some Australian evidence. *Journal of Small Business and Enterprise Development*, 10(2), 136-44
- Jayawarna, D., Rouse, J., & Kitching, J. (2011). Entrepreneur motivations and life course. *International Small Business Journal*, 0266-2436, 1-23.
- Jenkins, H. (2004). A Critique of Conventional CSR Theory: An SME Perspective. In: *Journal of General Management*, Vol. 29, No. 4, pp. 55–75.
- Jenkins, H. (2006). Small Business Champions for Corporate Social Responsibility: Small and Medium-Sized Enterprises & Corporate Social Responsibility: Identifying the Knowledge Gaps, In: *Journal of Business Ethics*, Vol. 67, No. 3, pp. 241-256.
- Jennings, P. L. & Hawley, D. (1996). "Designing effective training programmes", Proceedings of the 19th Institute of Small Business Affairs - Small firms' National Conference, Birmingham, pp. 1301 - 1326.
- Jewkes, R. (2002). Intimate partner violence: Causes and prevention. *The Lancet*, 359, 1423-1429.
- Johnson, S., Webber, D.J. & Thomas, W. (2007). Which SMEs use external business advice? A multivariate sub regional study. *Environment and Planning*, 39(8), 1981-1997

- Joyner, B. E. & Payne, D. (2002). Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility, *Journal of Business Ethics*, Vol. 41, No. 4, pp. 297-311
- Kabeer, N. (1999). “Resources, Agency, Achievements: Reflections on the measurement of women’s empowerment” *Development and Change* vol. 30 (1999), 435-464.
- Kabeer, N. (2001). “Reflections on the measurement of women’s empowerment.” In *Discussing Women’s Empowerment-Theory and Practice*. Sida Studies No. 3. Novum Grafiska AB: Stockholm.
- Kabeer, N. (2003). *Reversed realities: Gender hierarchies in development thought*. London, England: Verso.
- Kabeer, N. (2005). Is microfinance a “magic bullet” for women’s empowerment? Analysis of findings from South Asia. *Economic & Political Weekly*, 40, 4709-4718.
- Kah, J. M. L., Olds, D. L. and Kah, M. M. O. (2005). Microcredit, social capital, and politics. *Journal of Microfinance* 7(1): 121–135.
- Kakabadse, N. K. and Rozuel, C. (2006). Meaning of corporate social responsibility in a local French hospital: a case study. In: *Society and Business Review*, Vol. 1, Issue 1, pp. 77 – 96.
- Karim, L. (2008). Demystifying micro-credit: The Grameen Bank, NGOs, and neoliberalism in Bangladesh”. *Cultural Dyanamics*, 20 (1) 5-29.
- Karim, L. (2011). *Microfinance and its discontents: Women in debt in Bangladesh*. Minneapolis: University of Minnesota Press.
- Karlan, D. (2014). “The Next Stage of Financial Inclusion,” *Stanford Social Investment Review*.
- Karlan, D., Osman, A. and Zinman, J. (2013). “Follow the Money: Methods for Identifying Consumption and Investment Responses to a Liquidity Shock”, Discussion Paper No. 1034, Economic Growth Center, Yale University.
- Karnani, A. (2007). Microfinance misses its mark. *Stamford Social Innovation Review*. Available at: <http://www.ssireview.org/articles/entry/677/> [Accessed 15 May 2009].

- Kaur, P. (2016). Efficiency of Microfinance Institutions in India: Are They Reaching the Poorest of the Poor?. *Vision: The Journal of Business Perspective*, vol. 20 no. 1, 54-65.
- Kelle, U. (2006). Combining qualitative and quantitative methods in research practice: purposes and advantages. In: *Qualitative Research in Psychology*, Vol. 3, pp. 293-311
- Kelly, A. (2012). Growing discontent. *The Guardian*, February 20. <http://www.guardian.co.uk/society/2008/feb/20/internationalaidanddevelopment.bangladesh> [Accessed 15 November 2015].
- Kent, D. and Dacin, M. (2013). Bankers at the gate: Microfinance and the high cost of borrowed logics. *Journal of Business Venturing* 28: 759–773.
- Kenway, P. and Palmer, G. (2007) Poverty Among Ethnic Group: How does it differ? York: Joseph Rowntree Foundation.
- Khalily, B. and Faruquee, R. (2011). “Multiple Borrowing by MFI Clients.” Policy Brief. Dhaka: Institute of Microfinance.
- Khandker, S. (2005). Micro-finance and poverty: Evidence using panel data from Bangladesh. *World Bank Economic Review*, 19(2), 263–286.
- Khandker, S. R. (1998). Fighting Poverty with Microcredit: Experience in Bangladesh (New York: Oxford University Press), pp. 181–193.
- Khandker, S. R. (2000). Savings, informal borrowing and microfinance. *Bangladesh Development Studies*, 26(2–3), pp. 49– 78.
- Khandker, S. R., and Mahmud, W. (2012). Seasonal Hunger and Public Policies: Evidence from Northwest Bangladesh. Washington, DC: World Bank Press.
- Kim, J. C., Watts, C. H., Hargreaves, J. R., Ndhlovu, L. X., Phetla, G., Morison, L. A., Busza, J., Porter, J. D. H. and Pronyk, P. (2007). ‘Understanding the Impact of a Microfinance-Based Intervention on Women’s Empowerment and the Reduction of Intimate Partner Violence in South Africa.’ *American Journal of Public Health*, 97(10): 1794-1802.
- Kitching, J. (2008). Rethinking UK small employers’ skills policies and the role of workplace learning. *International Journal of Training and Development*, 12(2), 100-120.
- Kneiding, C. & Rosenberg, R. (2008). Variations in microcredit interest rates, CGAP Brief, Consultant Group to Assist the Poor. Retrieved January 7, 2014 from

<http://www.cgap.org/sites/default/files/CGAP-Brief-Variations-in-Microcredit-InterestRates-Jul-2008.pdf>

Korpi, W. and Palme, J. (1998). *American Sociological Review*, Vol. 63, No. 5 pp. 661-687

Kostova, T. and Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review* 24(1): 64–81.

Kraemer-Eis, H., Conforti, A. (2009): “*Microfinance in Europe – A Market Overview*”, Working Paper Series 2009/001, The European Investment Bank.

Krueger, R. A., & Casey, M. A. (2000). Focus Groups. A Practical Guide for Applied Research (3rd Edition). Thousand Oaks, CA: Sage Publications.

Kwortnik, R. J. Jr. (2003). Clarifying "fuzzy" hospitality-management problems with depth interviews and qualitative analysis. *Cornell Hospitality Quarterly*, 44(2), 117-129.

Langbein, L. and Knack, S. (2010). The worldwide governance indicators: six, one, or none? *Journal of Development Studies* 46: 350-370.

Larner, W. (2000). 'Neo-liberalism: Policy, Ideology, Governmentality', in *Studies in Political Economy* Vol. 63, pp 5 - 25.

Lee, A. S. (1991). “Integrating Positivist and Interpretive Approaches to Organizational Research”. In: *Organizational Science*, Vol. 2, No. 4, pp. 342-365.

Lee, T. W. (1999). Using Qualitative Methods in Organizational Research, Organizational Research Methods Series, Thousand Oaks: Sage Publications.

Lincoln, Y. S. & Guba, E. G. (1985). Naturalistic Inquiry. Newbury Park, CA: Sage Publications.

Lindlof, T. R. (1995). Qualitative communication research methods. In J. G. Delia (Ser. Ed.), *Current Communication: An Advanced Text Series*, Volume 3. Thousand Oaks, California: Sage Publications, Inc.

Littlefield, E., Murdurch, J. and Hashemi, S. (2003). Is Microfinance an Effective Strategy to reach the Millennium Development Goals? CGAP Focus Note, Washington, DC.

Llamas, C., Watt, D. and Johnson, D. E. (2009). Linguistic accommodation and the salience of national identity markers in a border town. *Journal of Language and Social Psychology*, 28(4), 148 and 381-407.

- London, T. (2009). Making better investments at the bottom of the pyramid. *Harvard Business Review* 87(5): 106-113.
- Lucas, R. E. Jr.: *The Concise Encyclopedia of Economics* | *Library of Economics and Liberty*. Available at: <http://www.econlib.org/library/Enc/bios/Lucas.html>. [Accessed 12 July 2016].
- Luoto, J., McIntosh, C. & Wydick, B. (2007). Credit information systems in less developed countries: a test with microfinance in Guatemala. *Economic Development and Cultural Change*, 55 (2): 313-334.
- Madhuri, M. (1992). Improving Rural Women's Lives: A Case Study in Nepal. Ph.D. dissertation, Stanford University, California.
- Mahmud, S. (2003). "Actually how Empowering is Microcredit?" *Development and Change* 34(4): 577-605.
- Mair, J. and Martí, I. (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing* 24(5): 419-435.
- Maitrot, M. (2013). The Social Performance of Microfinance Institutions in rural Bangladesh, Brooks World Poverty Institute, forthcoming at URL: <http://www.bwpi.manchester.ac.uk>.
- Mandl, I. (2005). CSR and competitiveness – European SMEs good practice. Specific action in the framework of "Mainstreaming Corporate Social Responsibility Among SMEs". Grant Programme 2005 of the European Commission, DG Enterprise and Industry.
- Markowski. (2002) Financial Services to large and low income earners, A textbook, 1st edition, pages 99-117, McGraw-Hill Publication Limited, Netherland.
- Matin, I., Hulme, D. and Rutherford, S. (2002). Finance for the poor: From microcredit to micro financial services. *Journal of International Development* 14(2): 273-294.
- Matlay, H. (1999). Vocational education, training and organisational change: A small business perspective. *Strategic Change*, 8(5), 277-277.
- Matlay, H. (2004). Contemporary training initiatives in Britain: a small business perspective, *Journal of Small Business and Enterprise Development*, 11(4), 504-513

- Maurer, K. and Pytkowska, J. (2011). “Indebtedness of Microfinance Clients in Bosnia and Herzegovina. Results from a Comprehensive Field Study.” European Fund for Southeast Europe Development Facility, mimeo.
- Mayoux, L. (2001). Tackling the down side: Social capital, women’s empowerment and micro-finance in Cameroon. *Development and change*, 32(3), 435-464.
- Mayoux, L. (2002), “Microfinance and women’s empowerment: Rethinking ‘Best Practice’”, *Development Bulletin*, no. 57, pp. 76-81.
- Mazumder, M. S. U. and Wencong, L. (2015). What Impact Does Microfinance Have on Rural Livelihood? A Comparison of Governmental and Non-Governmental Microfinance Programs in Bangladesh. *World Development*, vol. 68, issue C, pages 336-354
- McCullough, B., McGeary, K. A. and Harrison, T. D. (2006). Lessons from the JMCB archive. *Journal of Money, Credit, and Banking*, 38(4), pp. 1093–1107.
- McCullough, B., McGeary, K. A. and Harrison, T.D. (2008). Do economics journal archives promote replicable research. *Canadian Journal of Economics*, 41(4), pp. 1406–1420.
- McElwee, G. (2006). Farmers as entrepreneurs: Developing competitive skills. *Journal of Developmental Entrepreneurship*, 11(3). 187-206.
- McIntosh, C. & Wydick B. (2005). Competition and microfinance. *Journal of Development Economics* No. 78, 271–298.
- McKenzie, D., and Woodruff, C. (2014). “What Are We Learning from Business Training and Entrepreneurship Evaluations around the Developing World?” *World Bank Research Observer* 29 (1): 48–82
- Mead, D. and Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World Development* 26(1): 61–74.
- Mian, A., and Sufi, A. (2010). “Household Leverage and the Recession of 2007 to 2009.” Available at: <https://www.imf.org/external/np/res/seminars/2009/arc/pdf/mian.pdf>. [Accessed 12 October 2011]
- Microcredit Regulatory Authority. (2006). Microcredit Regulatory Authority. Available at: <http://www.mra.gov.bd/>. [Accessed 17 April 14].

- Microcredit Regulatory Authority. (2016). List of License Held MFIs. Available at: [http://www.mra.gov.bd/index.php?option=com\\_content&view=article&id=115&Itemid=95](http://www.mra.gov.bd/index.php?option=com_content&view=article&id=115&Itemid=95). [Accessed on 17 April 2016].
- Microfinance Focus. (2011). *Six microfinance crises that the sector does not want to remember* [Online]. Available from : <http://www.microfinancefocus.com/6-microfinance-crises-sector-does-not-want-remember>. [Accessed 14 August 2014]
- Microfinance in India. (2011). Weaknesses of Existing Microfinance Models. Available at: <http://microfinanceinindia.blogspot.co.uk/> [Accessed 15 November 2013]
- Microfinance Regulatory Authority (MRA). (2016). *Licensed MFIs*. Available at: [http://www.mra.gov.bd/index.php?option=com\\_content&view=article&id=115&Itemid=95](http://www.mra.gov.bd/index.php?option=com_content&view=article&id=115&Itemid=95). [Accessed 30 July 2016].
- Midas. ( 2009), “Women Entrepreneurs in SMEs: Bangladesh Perspective,”. Available at: [http://www.smef.org.bd/media/50/women\\_entrepreneurs\\_in\\_smes\\_bangladesh\\_perspective.pdf](http://www.smef.org.bd/media/50/women_entrepreneurs_in_smes_bangladesh_perspective.pdf). [Accessed 15 November 2013]
- Mingers, J. (2001). “Combining IS Research Methods: Towards a Pluralist Methodology”, *Information Systems Research*, Vol. 12, pp 240-259.
- Monahan, M., Shah, A. and Mattare, M. (2011). The road ahead: Micro enterprise perspectives on success and challenge factors. *Journal of Management Policy* 12(4), 115-125.
- Mondragon (2013). ‘Humanity at Work: Corporate Management Model’. Available at <http://www.mondragon-corporation.com/wp-content/themes/mondragon/docs/Corporate-Management-Model.pdf> ( accessed 20 January 2017)
- Money Advise Service (2017). *Loan sharks*. Available from: <https://www.moneyadviceservice.org.uk/en/articles/how-to-spot-a-loan-shark>. [Accessed 22 April 2017].
- Morahan, M. J. (2000). Women and the Internet: Promise and Perils. *Cyber Psychology & Behavior*, 3 (5), 683-691.
- Morduch, J. (1998) Does microfinance really help the poor? New evidence from flagship programs in Bangladesh. Unpublished mimeo.

- Morduch, J. (1999). The Microfinance Promise. *Journal of Economic Literature* 37(4): 1569–1614.
- Morgan, D. L. (1997). *Focus Groups as Qualitative Research* (2nd ed.) London: Sage
- Morgan, D. L. (1998). Practical strategies for combining qualitative and quantitative methods: Applications to health research. *Qualitative Health Research*, 8(3), 362-376.
- Morris, G. and Barnes, C. (2005). An assessment of the impact of microfinance. *Journal of Microfinance* 7(1): 40–54.
- Mosedale, S. (2003). “Toward a Framework for Assessing Empowerment” New Direction in Impact Assessment for Development Methods Practices, Manchester, UK, p; 24-25. November 2003.
- Moser, C. (1998). The asset vulnerability framework: Reassessing urban poverty reduction strategies. *World Development* 26(1): 1–19.
- Murillo, D. and Lozano, J. (2006). ‘SMEs and CSR: An Approach to CSR in Their Own Words’, *Journal of Business Ethics* 67, 227–240. doi:10.1007/s10551-006-9181-7.
- Murray, N. and Beglar, D. (2009). *Writing Dissertations and Theses*. London: Pearson.
- Murshid, N. S., Akincigil, A. and Zippay, A. (2016). Microfinance Participation and Domestic Violence in Bangladesh: Results From a Nationally Representative Survey. *Journal of Interpersonal Violence*. 31 (9), 1579–1596.
- Nahapiet, J. and Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review* 23(2): 242–266.
- Narayan, D. (1999). *Bonds and Bridges: Social Capital and Poverty*. Washington, DC: World Bank.
- Naude, W. (2010). Entrepreneurship, developing countries, and development economics: New approaches and insights. *Small Business Economics* 34(1): 1–12.
- Navarri, J. N. & Jasinski, J. L. (2013). Why girls? Using routine activities theory to predict cyberbullying experiences between girls and boys. *Women & Criminal Justice*, 23, 286-303.
- Nobel Prize (1995). *The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 1995*. Available at:



- [https://www.nobelprize.org/nobel\\_prizes/economic-sciences/laureates/1995/press.html](https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1995/press.html). [Accessed 25 June 2016].
- ONS (Office for National Statistics). (2011). 2011 Census analysis: Ethnicity and the Labour Market, England and Wales. Available at: <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/ethnicity-and-the-labour-market/rpt-ethnicity-and-the-labour-market--2011-census--england-and-wales.html>. [Accessed 31 January 14].
- Otero, M. and Rhyne, E. (1994). *“The New World of Microenterprise Finance”*, Kumarian Press, West Hartford, and Intermediate Technology Publications, London.
- Oxaal, Z., & Baden, S. (1997). *Gender and empowerment: Definitions, approaches and implications for policy* (Report No. 40). Brighton, England: BRIDGE, Institute of Developmental Studies, University of Sussex. Retrieved from <http://www.bridge.ids.ac.uk/bridge/reports/re40c.pdf>.
- Painter-Morland, M. (2006). Triple bottom-line reporting as social grammar: integrating corporate social responsibility and corporate codes of conduct, *Business Ethics: A European Review*, Vol. 15, No. 4, pp. 352-364.
- Papa, M.J., Auwal, M.A., & Singhal, A. (1995). *Dialectic of control and emancipation in organizing for social change: A multi theoretic study of the Grameen Bank in Bangladesh*. *Communication Theory*, 5, 189–223.
- Parida, P. C. & Sinha, A. (2010), Performance and Sustainability of Self-Help Groups in India: *A Gender Perspective*, *Asian Development Review*, 27(1), 80-103.
- Parker, A., & Tritter, J. Q. (2006). Focus group method and methodology: Reflections on current practice and recent debate. *International Journal of Research and Method in Education*, 29(1), 23–37.
- Petrin, T. (1991), ‘Entrepreneurship and its Development in public enterprises’, in J. Prokopenko and I. Pavlin (eds), *Entrepreneurship Development in Public Enterprises*, Management Development Series No. 29 (Geneva: International Labour Office), pp. 15-20
- Piggott, G. (2004). 2001 Census Profiles: Bangladeshis in London, London: Greater London Authority.
- Piketty, T., & translated by Goldhammer, A. (2014). *Capital in the twenty-first century*. Cambridge, MA: The Belknap Press of Harvard University Press.

- Pitt, M. M. (1999). Reply to Jonathan Morduch's "Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh." Department of Economics. Brown University. Available at <http://www.brown.edu/research/projects/pitt/>.
- Pitt, M. M. (2011a). *Response to Roodman and Morduch's "The Impact of Microcredit on the Poor in Bangladesh: Revisiting the Evidence."* Available at <http://www.brown.edu/research/projects/pitt/>.
- Pitt, M. M. (2011b). Overidentification Tests and Causality: A Second Response to Roodman and Morduch. Available at <http://www.brown.edu/research/projects/pitt/>.
- Pitt, M. M. and Khandker, S. R. (2002). Credit Programmes for the Poor and Seasonality in Rural Bangladesh. *Journal of Development Studies*, 39 (2), pp.1-24.
- Pitt, M. M., and Khandker, S. R. (1998). "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy* 106(5):958–96.
- Pitt, M. M., Khandker, S. R., & Cartwright, J. (2006). Empowering women with microfinance: Evidence from Bangladesh. *Economic Development and Cultural Change*, 54, 791-831.
- PKSF. (2003). "Maps on Microcredit: Coverage in Bangladesh," Dhaka: PKSF Practice, 12, 113-125.
- Porter, M. E. and Kramer, M.R. (2011). Creating shared value. *Harvard Business Review* 89(1): 62–77.
- Prahalad, C. K. (2004). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Upper Saddle River, NJ: Wharton School Publishing.
- Prahalad, C. K. (2005). *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Wharton School Publishing, Philadelphia.
- Prahalad, C. K., and Hammond, A. (2002). Serving the world's poor profitably. *Harvard Business Review*, pages 4-11.
- Presbitero, A. & Rabellotti, R. (2014). Geographical distance and moral hazard in microcredit: Evidence from Colombia. *Journal of International Development*, 26, 91-108.

- Pronyk, P. M, Kim, J. K., Abramsky, T., Phetla, G., Hargreaves, J. R., Morison, L. A., Busza, J., Watts, C., Porter, J. D. H. (2008). *A combined microfinance and training intervention can reduce HIV risk behaviour among young female participants: results from the IMAGE Study*. 22: p. 1659-1665.
- Putnam, R. D. (1993). The prosperous community: Social capital and public life. *The American Prospect* 4(13): 35–42.
- PwC (2017). *Microfinance in Asia*. Available at: <https://www.pwc.in/assets/pdfs/publications/2017/microfinance-in-asia-a-mosaic-future-outlook.pdf>. (Accessed on: 05 November 2017)
- Rahman, A. (1999a). Micro-credit initiatives for equitable and sustainable development: Who pays? *World Development*, 27, 67-82.
- Rahman, A. (1999b). *Women and micro credit in rural Bangladesh*. Boulder, CO: Westview Press.
- Rahman, M., Haque, S. E., Rashid, A. T. (2012). *Marketing Review*. Vol. 12 Issue 1, p5-16. 12p.
- Rahman, M., Hoque, M., & Makinoda, S. (2011). Intimate partner violence against women: Is women empowerment a reducing factor? A study from a national Bangladeshi sample. *Journal of Family Violence*, 26, 411-420.
- Rankin, K. N. (2002). Social capital, microfinance, and the politics of development. *Feminist Economics*, 8, 1-24.
- Ravallion, M. (2003). The debate on globalization, poverty and inequality: Why measurement matters. *International Affairs* 78(4): 739–753.
- Reed, L. R. (2011). *State of the microcredit summit campaign report 2011*. Washington, DC: Microcredit Summit Campaign.
- Remenyi, D., Williams, B., Money, A. & Swartz, E. (1998). *Doing Research in Business and Management: an Introduction to Process and Method*, London UK: Sage Publications.
- Reynolds, T. J. and Gutman, J. (1988). "Laddering Theory, Method, Analysis and Interpretation," *Journal of Advertising Research*, February/March, 11B31.
- Rhyne, E. (1998). The yin and yang of microfinance: Reaching the poor and sustainability. *Micro Banking Bulletin*, 2, 6-8.
- Rhyne, E. and Christen, R. P. (1999). *Microfinance Enters the Marketplace*. Washington D.C.: U.S.Agency for International Development

- Rice, S. E. and Patrick, S. (2008). Index of State Weakness in the Developing World. The Brookings Institute: Washington, DC.
- Rivlin, G .(2010). *Broke USA: From Pawnshops to Poverty, Inc. How the Working Poor Became Big Business*. New York: HarperCollins.
- Roberts, C. W. (Ed.) (1997). *Text Analysis for the Social Sciences: Methods for Drawing Statistical Inferences from Texts and Transcripts*. Mahwah, NJ: Lawrence Erlbaum Associates.
- Robinson, M. S. (2001). The microfinance revolution: Sustainable finance for the poor. Washington, DC: World Bank.
- Robson, C. (1993). *Real World Research*. A Resource for Social Scientists and Practitioner–Researchers. Blackwell Publishers, Oxford.
- Roodman, D. (2011). Due Diligence: An Impertinent Inquiry Into Microfinance, CGD (Center for Global Development) Books.
- Roodman, D. (2012). *Due Diligence: An impertinent inquiry into microfinance*. Washington, DC: Center for Global Development.
- Roodman, D. and Morduch, J. (2009). The impact of microcredit on the poor in Bangladesh: revisiting the evidence. Center for Global Development, Working Paper No. 174, June.
- Rosenberg, R., Gaul, S., Ford, W. & Tomilova, O. (2013). *Microcredit Interest Rates and Their Determinants*. Access to Finance FORUM: Reports by CGAP and its Partners, No.7.
- Rosenberg, R., Gonzales, A., & Narain, S. (2009). *The new moneylenders: Are the poor being exploited by high microcredit interest rates?* CGAP Occasional Paper, No. 15. Retrieved January 15, 2014 from <http://www.cgap.org/sites/default/files/CGAPOccasional-Paper-The-New-Moneylenders-Are-the-Poor-Being-Exploited-by-HighMicrocredit-Interest-Rates-Feb-2009.pdf>
- Roth, W. D. and Mehta, J. D. (2002). “The Rashmon Effect: Combining Positivist and Interpretive Approaches in the Analysis of Contested Events”. In: *Sociological Methods Research*, Vol. 31, pp. 131-173.
- Roy, A. (2010). *Poverty Capital: Microfinance and the Making of Development* (London: Routledge).

- Rutherford, S. (2009). *The Poor and Their Money- Microfinance from a twenty-first century consumer's perspective*, UK, Practical Action Publishing.
- Saltmarsh, M., & Contiguglia, C. (2008). Some fear profit motive to trump poverty Efforts in microfinance. *The New York Times*. Retrieved January 4, 2014 from <http://www.nytimes.com/2009/08/28/business/global/28micro.html?pagewanted=all>
- Sambisa, W., Angeles, G., Lance, P. M., Naved, R. T., & Thornton, J. (2011). Prevalence and correlates of physical spousal violence against women in slum and non-slum areas of urban Bangladesh. *Journal of Interpersonal Violence*, 26, 2592-2618.
- Sane R. and Thomas S. (2015). "*The Real Cost of Credit Constraints: Evidence from Micro-finance*". Indira Gandhi Institute of Development Research, Mumbai
- Saunders, M., Lewis, P. and Thornhill, A. (2000). "*Research methods for Business Students*", Prentice Hall, second edition.
- Saunders, M., Lewis, P., and Thornhill, A. (2009). *Research Methods for Business Students*, 5th ed. Essex: Prentice Hall, Pearson.
- Schregle, J. (1981). 'Comparative industrial relations: pitfalls and potential', *International Labour Review*, 120, 1, 15-30.
- Schuler, R., Hashemi M., Riley, P. (1997). "*The Influence of Women's Changing Roles and Status in Bangladesh's Fertility and Contraceptive Use.*" *World Development* 25: 563-75
- Schuler, S. R., & Islam, F. (2008). Women's acceptance of intimate partner violence within marriage in rural Bangladesh. *Studies in Family Planning*, 39, 49-58.
- Schutt, R. K., (2006). *Investigating the Social World: The Process and Practice of Research*, 5th ed. Thousand Oaks, CA: Pine Forge Press
- Schwandt, T. A. (2000). Three epistemological stances for qualitative inquiry: interpretivism, hermeneutics, and social construction' in Denzin, N.K. and Lincoln, Y.S. (editors) *Handbook of qualitative research* (2nd edition), Thousand Oaks: Sage Publications, pp.189-213.
- Schwartz, M. S. & Carroll, A. B. (2003). Corporate Social Responsibility: A Three-Domain Approach. *Business Ethics Quarterly*, Vol. 13, No. 4, pp. 503-530.
- Scott, J. C. (1976). *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia*. New Haven, NJ: Yale University Press.

- Sebstad, J. and Chen, G. (1996) Overview of studies on the impact of microenterprise credit. Report submitted to USAID Assessing the Impact of Microenterprise Services (AIMS).
- Sekaran, U. (2000). Research method for business: A skill building approach, John Wiley and Sons, Inc.
- Sekaran, U. (2003). Research methods for business: A skill-building approach (4th ed.). New York, USA: Wiley
- Selinger, E. (2008). Does microcredit “empower”? Reflections, on the Grameen Bank debate. *Human Studies*, 31(1), 27-41.
- Sengupta, R., and Aubuchon C., P (2008), “The Microfinance Revolution: An Overview”, *Federal Reserve Bank of St. Louis Review*, January/February 2008, 90(1), pp. 9-30.
- Shah, A. (2011). “Poverty around the World.” Global Issues. Retrieved January 17, 2014 (<http://www.globalissues.org/print/article/4>).
- Shah, H. & Saurabh, P. (2015). *Women Entrepreneurs in Developing Nations: Growth and Replication Strategies and Their Impact on Poverty Alleviation*. Technology Innovation Management Review, 5(8): 34–43.
- Shahriar, A. Z. M., Schwarz, S. and Newman, A. (2016). Profit orientation of microfinance institutions and provision of financial capital to business start-ups. *International Small Business Journal*. 34 (4), 532–552.
- Shakya, Y. B. & Rankin K. N. (2008) “The Politics of Subversion in Development Practice: An Exploration of Microfinance in Nepal and Vietnam”, *Journal of Development Studies*, Vol. 44, No. 8, 1214–1235.
- Shonchoy, A. (2011). “Seasonal Migration and Micro-credit in the Lean Period: Evidence from Northwest Bangladesh.” IDE Discussion Paper No. 294, Japan.
- Shonchoy, A. S. and Kurosaki, T. (2014). Impact of Seasonality-adjusted Flexible Microcredit on Repayment and Food Consumption: Experimental Evidence from Rural Bangladesh. Institute of Developing Economies, JETRO
- Simanowitz, A., & Walter, A. (2002). Ensuring impact: Reaching the poorest while building financially self-sufficient institutions, and showing improvement in the lives of the poorest women and their families. In S. Daley-Harris, Pathways out of poverty: Innovations in microfinance for the poorest families. Bloomfield, CT: Kumarian.

- Sinclair, H. (2012). Confessions of a Microfinance Heretic: How Microlending Lost Its Way and Betrayed the Poor. San Francisco, CA: Berrett-Koehler.
- Singh, J., Tucke, D. and House, R. (1986). Organizational legitimacy and the liability of newness. *Administrative Science Quarterly* 31: 171–193.
- Slangen, A. H. L. and Beugelsdijk, S. (2010). The impact of institutional hazards on multinational activity: a contingency perspective. *Journal of International Business Studies* 41: 980-995.
- Smith, A. J. & Collins, L. A. (2007). How does IIP deliver the lifelong learning agenda to SMEs? *Education + Training* 49 (8/9), 720-731.
- Social Watch (2012). *Measuring Inequity: The 2012 Gender Equity Index*. Available at: <http://www.socialwatch.org/node/14367> [Accessed 15 February 2016].
- Spence, L. J.(1999). Does Size Matter: The State of the Art in Small Business Ethics. *Business Ethics: A European Review*, 8(3):163-174
- Srinivasan, N. (2009). "Microfinance India-State of the Sector Report 2008", Sage Publications Private Limited, India
- Srinivasan, R. and Sriram, M. S. (2006). Microfinance in India: Discussion, *IIMB Management Review*, pp.66-86.
- Stake, R. E. & Usinger, J. (2010). *Qualitative Research : Studying How Things Work*. Guilford Press. Retrieved June 12, 2013, from eBook Library.
- Stanworth, J. and Gray, C. (eds). (1991). *Bolton 20 Years On*. Paul Chapman, London.
- Stein, A. I. (2009). Women Lawyers Blog for Workplace Equality: Blogging as a Feminist Legal Method. *Yale Journal of Law and Feminism*, 20 (2), 357-408.
- Stewart, R. van Rooyen, C., Dickson, K., Majoro, M., de Wet, T. (2010). What is the impact of microfinance on poor people? A systematic review of evidence from sub-Saharan Africa. Technical report. London: EPPI-Centre, Social Science Research Unit, University of London
- Stiglitz, J. E. (1990). Peer monitoring and credit markets, *World Bank Economic Review*, vol. 4(3), (September), pp. 351–66.
- Stinchcombe, A. L. (1965) "Social Structure and Organizations." In *Handbook of Organizations*. Edited by J. G. March, 142–193. Chicago: Rand McNally.
- Sutton, J. & Pollock, S. (2000). Online Activism for Women's Rights. *Cyber Psychology & Behavior*, 3(5),699-706.

- Swain, B. R. and Wallentin, F. Y. (2007). 'Does Microfinance Empower Women? Evidence from Self Help Groups in India', Working Paper 2007:24, Department of Economics, Uppsala.
- Swain, B. R. and Wallentin, F. Y. (2008) : Economic or noneconomic factors: What empowers women?, Working Paper, No. 2008:11, Uppsala University, Department of Economics, Uppsala,
- Tashakkouri, A. and Teddlie, C. (1998). *Mixed Methodology: Combining Qualitative and Quantitative Approaches*, Applied Social Research Methods, Vol. 46. Sage Publications, California: USA.
- The World Bank (2017). *Bangladesh Development Update 2017*. World Bank, Dhaka, Bangladesh. © World Bank. License: CC BY 3.0 IGO. [Online] Available at: <https://openknowledge.worldbank.org/handle/10986/26642> [Accessed 17 October 2017]
- The World Bank. (2015). International Debt Statistics 2015. Available at: <http://data.worldbank.org/data-catalog/international-debt-statistics/ids-2015>. [Accessed 01 December 14].
- Thomas, L., MacMillan, J., McColl, E., Hale, C. & Bond, S. (1995). Comparison of focus group and individual interview methodology in examining patient satisfaction with nursing care. *Social Sciences in Health* 1, 206–219.
- Thompson, P. & Mchugh, D. (2002). ``Work organisations``, 3rd edition, Palgrave: Basingstoke, UK.
- Tilakaratna, G. (2013). Multiple Borrowing in the Sri Lankan Microfinance Sector. Worldpoverty@manchester Briefing Series. Issue 19. Manchester, UK: Brooks World Poverty Institute.
- Tilakaratna, G. & Hulme, D. (2015). Microfinance and Multiple Borrowing in Sri Lanka: Another Microcredit Bubble in South Asia? *South Asia Economic Journal*. 16 (1), 46-63.
- Todd, H. (1996). *Women at the center*. Dhaka: University Press Limited.
- Trading Economics (2016). Bangladesh Inflation Rate. Available at: <https://tradingeconomics.com/bangladesh/inflation-cpi> [Accessed 07 June 2016].
- United Nations (2005). Microfinance and the Millennium Development Goals. Available at: [http://www.yearofmicrocredit.org/docs/mdgdoc\\_MN.pdf](http://www.yearofmicrocredit.org/docs/mdgdoc_MN.pdf)



- United Nations Research Institute for Social Development. (2010). Combating Poverty and Inequality: Structural Change, Social Policy and Politics. Geneva: UNRISD  
 “Gender Inequalities at Home and in the Market.” Chapter 4, pp. 5–33
- Versluysen, E. (1999). *Defying the odds: Banking for the poor*. West Hartford, CT: Kumarian Press.
- Vogel, D. (1992). The globalization of business ethics: why America remains different. *California Management Review*, 35(1): 30-49.
- Vogelgensang, U. (2003). Microfinance in times of crisis: The effects of competition, rising indebtedness, and economic crisis on repayment behaviour”. *World Development*, 31 (12), 2085-2114.
- Wagenaar, K. (2012). Institutional transformation and mission drift in microfinance. Working paper, Centre for Development Studies, University of Cambridge, Cambridge, December.
- Walker, E. & Brown, A. (2004). What success factors are important to small business owners? *International Small Business Journal*, 22(6), 577-594.
- Warschauer, M. (2004). *Technology and Social Inclusion: Rethinking the Digital Divide*. Cambridge: MIT Press.
- Weber, R. (2004). Editor’s Comments: The Rhetoric of Positivism Versus Interpretivism: A Personal View. *MIS Quarterly* Vol. 28 No. 1, pp. iii-xii
- Westover, J. (2008). The record of microfinance: The effectiveness/ineffectiveness of microfinance programs as a means of alleviating poverty. *Electronic Journal of Sociology*. Available at: <http://www.sociology.org/ejs-archives> [Accessed 14 April 2016].
- Wildmuth, B. M. (1993), “Post-Positivist Research: two Examples of Methodological Pluralism”. In: *The library Quarterly*, Vol. 3, No. 4, pp. 450-468.
- Woller, G. M., Dunford, C., & Woodworth, W. (1999). Where to microfinance? *International Journal for Economic Development*, 1, 29–64. Retrieved from [http://www.microfinance.com/English/Papers/Where\\_to\\_Microfinance.pdf](http://www.microfinance.com/English/Papers/Where_to_Microfinance.pdf)
- Woller, G., Dunford, C. and Woodworth, W. (1999). Where to microfinance? *International Journal of Economic Development* 1(1): 29–64.
- Woods, B. (2013). Women’s enterprise support group WEETU shuts down. *Eastern Daily Press*. Retrieved from

- [http://www.edp24.co.uk/business/women\\_s\\_enterprise\\_support\\_group\\_weetu\\_s\\_huts\\_down\\_1\\_2972135](http://www.edp24.co.uk/business/women_s_enterprise_support_group_weetu_s_huts_down_1_2972135)
- Woolcock, M. and Narayan, D. (2000). Social capital: Implications for development theory, research, and policy. *The World Bank Research Observer* 15(2): 225–249.
- World Bank Group. (2013). World Bank Enterprise Survey of 1,442 enterprises in Bangladesh. Available at: <http://www.enterprisesurveys.org/data/exploreeconomies/2013/bangladesh> [Accessed 05 January 14].
- World Bank. (1996). World development report 1996: From plan to market. New York, NY: Oxford University Press.
- World Survey on the Role of Women In Development. (2009). Women’s Control over Economic Resources and Access to Financial Resources, including Microfinance. New York: United Nations.
- Wright, G. A .N. & Sharma, M. K. (2010). *The Andhra Pradesh crisis: Three dress rehearsals...and then the full drama*. MicroSave India Focus Note 55, MicroSave.
- Yerramilli, P. (2013), The Politics of the Microfinance Crisis in Andhra Pradesh, India, Columbia University Academic Commons, <https://doi.org/10.7916/D8D21VM7>
- Yick, A. G. (2001). Feminist theory and status inconsistency theory: Application to domestic violence in Chinese Immigrant families. *Violence Against Women*, 7, 545-562.
- Yin, R. K. (1989). Case Study Research: Design and Methods, 2nd ed. London: Sage Publications
- Yin, R. K. (2009). Case Study Research: Design and Methods. 4th ed. California, USA: Sage Publications.
- Yunus, M. (1999). Banker to the poor: The story of the Grameen Bank. London: Aurum Press. pp. 313
- Yunus, M. (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. Available at: <http://www.muhammadyunus.org/index.php/yunus-centre/2015-04-26-06-56-02/books>. [Accessed 17 March 2016].

- Zaman, H. (2004). *Microfinance in Bangladesh: Growth, Achievements, and Lessons. Scaling Up Poverty Reduction: Case Studies in Microfinance*. Washington DC, CGAP.
- Zammit, J. A. (2000). Antecedents to Service Loyalty: A Theoretical and Empirical Investigation, PhD Thesis, Hull University.
- Zeller, M. and Meyers, R. (2003). *The Triangle of Microfinance: Financial Sustainability, Outreach and impact*, John Hopkins university Press, Baltimore.
- Zinman, J. (2014). "Consumer Credit: Too Much or Too Little (or Just Right)?" [http://www.dartmouth.edu/~jzinman/Papers/CreditSupply\\_Zinman\\_JLS\\_2014.pdf](http://www.dartmouth.edu/~jzinman/Papers/CreditSupply_Zinman_JLS_2014.pdf). [Accessed 17 March 2016].

## Appendices

### Appendix 1: Microfinance terminology

#### MICROFINANCE TERMINOLOGY

**Micro credit:** This is a small amount of money loaned to a client by a bank or other institution. Micro credit can be offered, often without collateral, to an individual or through group lending.

**Microfinance:** This refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients

**Micro insurance:** This is a system by which people, businesses and other organizations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property, health or the ability to work.

**Remittances:** These are transfer of funds from people in one place to people in another, usually across borders to family and friends. Compared with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

**Micro savings:** These are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

**Inclusive financial sectors:** It allows poor and low- income people to access credit, insurance, remittances and savings products. In many countries, the financial sectors do not provide these services to the lower income people. An inclusive financial sector will support the full participation of the lower income levels of the population.

**Micro entrepreneurs:** These are people who own small- scale businesses that are known as micro enterprises. These businesses usually employ less than 5 people and can be based out of the home. They can provide the sole source of family income or supplement other forms of income. Typical micro entrepreneur activities include re- tail kiosks sewing work shops, carpentry shops and market stalls.

**Bankable:** These people are those deemed eligible to obtain financial services that can lead to income generation, repayment of loans, savings, and the building of assets.

**Unbanked:** This describes people who have no access to financial services through any type of financial sector organization such as banks, non-bank financial institutions, financial cooperatives and credit unions, finance companies, and NGOs. Implicit in this definition is that financial services are usually available only to those individuals termed "economically active" or bankable.

## Appendix 2: Main providers of microfinance in Bangladesh

- ASA was founded by Shafiqul Haque Choudhury and a small band of colleagues as a nongovernment organization (NGO) in 1978 promoting the social and political empowerment of the poor. In 1991 it turned single-mindedly to becoming the world's most efficient MFI. In 2006 ASA launched ASA International, which now owns and operates affiliates in eight countries and is in the process of establishing several more.
- BRAC is one of the world's largest NGOs and was recognized by the *Global Journal* in 2013 as the top NGO globally. BRAC was founded by F. H. Abed in 1972 with a mission to fight poverty through large- scale basic health and education interventions, in addition to microfinance. In 2002 BRAC launched operations internationally, and today operates affiliates in 10 countries.
- Buro Bangladesh was founded in 1991 by a small group of people led by Zakir Hossain who had fought in Bangladesh's liberation war. It is the smallest of the four MFIs featured here, but has recently surpassed 1 million client members. It started as a regional player but now works at a national scale. Buro has a reputation for innovating flexible pro-poor savings services.
- Grameen Bank pioneered modern group-based microcredit in the late 1970s. In 1983 a unique ordinance established it as specialized bank for the poor. It was initially capitalized from government sources, and later primarily from shares of borrower-clients, or members. The Bank and its founder Muhammad Yunus won the Nobel Peace Prize in 2006. In 2010 Yunus fell into dispute with the Bangladesh Government and resigned from the post of managing director in May 2011.

### Appendix 3: Top MFIs based on number of branches

#### Top 50 MFIs based on number of branches

Number of branches as of December 2014

| Position | Name & District of the Organisation   | Numbers | Market Share (in %) |
|----------|---|---------|---------------------|
| 1        | ASA, Dhaka  | 2,931   | 16.47               |
| 2        | Grameen Bank (GB), Dhaka  | 2,568   | 14.43               |
| 3        | BRAC, Dhaka   | 2,039   | 11.46               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 790     | 4.44                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 578     | 3.25                |
| 6        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 378     | 2.12                |
| 7        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 288     | 1.62                |
| 8        | Jagorani Chakra Foundation (JCF), Jessore   | 287     | 1.61                |
| 9        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 254     | 1.43                |
| 10       | Society for Social Service (SSS), Tangail   | 243     | 1.37                |
| 11       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 220     | 1.24                |
| 12       | Bangladesh Extension Education Services (BEES), Dhaka                             | 204     | 1.15                |
| 13       | Integrated Development Foundation (IDF), Dhaka                                    | 178     | 1.00                |
| 14       | Christian Service Society (CSS), Khulna   | 166     | 0.93                |
| 15       | RDRS Bangladesh, Dhaka  | 166     | 0.93                |
| 16       | People's Oriented Program Implementation (POPI), Dhaka                            | 151     | 0.85                |
| 17       | Resource Integration Centre (RIC), Dhaka  | 131     | 0.74                |
| 18       | Rural Reconstruction Foundation (RRF), Jessore                                    | 120     | 0.67                |
| 19       | Sajida Foundation, Dhaka  | 110     | 0.62                |
| 20       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 101     | 0.57                |

Number of branches as of December 2013

| Position | Name & District of the Organisation   | Numbers | Market Share (in %) |
|----------|---|---------|---------------------|
| 1        | ASA, Dhaka  | 3,219   | 18.18               |
| 2        | Grameen Bank (GB), Dhaka  | 2,567   | 14.50               |
| 3        | BRAC, Dhaka   | 2,112   | 11.93               |
| 4        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 1,128   | 6.37                |
| 5        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 634     | 3.58                |
| 6        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 376     | 2.12                |
| 7        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 296     | 1.67                |
| 8        | Jagorani Chakra Foundation (JCF), Jessore   | 262     | 1.48                |
| 9        | Society for Social Service (SSS), Tangail   | 227     | 1.28                |
| 10       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 220     | 1.24                |
| 11       | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 220     | 1.24                |
| 12       | Bangladesh Extension Education Services (BEES), Dhaka                             | 181     | 1.02                |
| 13       | Integrated Development Foundation (IDF), Dhaka                                    | 167     | 0.94                |
| 14       | RDRS Bangladesh, Dhaka  | 164     | 0.93                |
| 15       | People's Oriented Program Implementation (POPI), Dhaka                            | 151     | 0.85                |
| 16       | Christian Service Society (CSS), Khulna   | 132     | 0.75                |
| 17       | Rural Reconstruction Foundation (RRF), Jessore                                    | 120     | 0.68                |
| 18       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 101     | 0.57                |
| 19       | Community Development Centre (CODEC), Chittagong                                  | 94      | 0.53                |
| 20       | Resource Integration Centre (RIC), Dhaka  | 94      | 0.53                |

|                                    |  |               |               |                                    |  |               |               |
|------------------------------------|--|---------------|---------------|------------------------------------|--|---------------|---------------|
| 21                                 | Centre for Development Innovation and Practices (CDIP), Dhaka                | 100           | 0.56          | 21                                 | Sajida Foundation, Dhaka   | 94            | 0.53          |
| 22                                 | Dushtha Shasthya Kendra (DSK), Dhaka   | 100           | 0.56          | 22                                 | Uttara Development Program Society (UDPS), Dhaka                             | 93            | 0.53          |
| 23                                 | Palli Mongal Karmasuchi (PMK), Dhaka   | 98            | 0.55          | 23                                 | Centre for Development Innovation and Practices (CDIP), Dhaka                | 90            | 0.51          |
| 24                                 | Community Development Centre (CODEC), Chittagong                             | 94            | 0.53          | 24                                 | Dushtha Shasthya Kendra (DSK), Dhaka   | 85            | 0.48          |
| 25                                 | Manabik Shahajya Sangstha (MSS), Dhaka                                       | 93            | 0.52          | 25                                 | Palli Mongal Karmasuchi (PMK), Dhaka   | 84            | 0.47          |
| 26                                 | Uttara Development Program Society (UDPS), Dhaka                             | 91            | 0.51          | 26                                 | SKS Foundation, Gaibandha  | 81            | 0.46          |
| 27                                 | SKS Foundation, Gaibandha  | 88            | 0.49          | 27                                 | Manabik Shahajya Sangstha (MSS), Dhaka                                       | 79            | 0.45          |
| 28                                 | Gram Bikash Kendra (GBK), Dinajpur   | 86            | 0.48          | 28                                 | Gram Bikash Kendra (GBK), Dinajpur   | 76            | 0.43          |
| 29                                 | Ad-din Welfare Centre (AWC), Jessore   | 84            | 0.47          | 29                                 | HEED Bangladesh, Dhaka   | 76            | 0.43          |
| 30                                 | HEED Bangladesh, Dhaka   | 80            | 0.45          | 30                                 | Society Development Committee (SDC), Faridpur                                | 74            | 0.42          |
| 31                                 | Wave Foundation (WF), Chuadanga  | 80            | 0.45          | 31                                 | Wave Foundation (WF), Chuadanga  | 68            | 0.38          |
| 32                                 | Gana Unnayan Kendra (GUK), Gaibandha   | 78            | 0.44          | 32                                 | Ad-din Welfare Centre (AWC), Jessore   | 67            | 0.38          |
| 33                                 | Gram Unnayan Karma (GUK), Bogra  | 78            | 0.44          | 33                                 | Srizony Bangladesh, Jhenaidah  | 67            | 0.38          |
| 34                                 | Society Development Committee (SDC), Faridpur                                | 76            | 0.43          | 34                                 | Gram Unnayan Karma (GUK), Bogra  | 63            | 0.36          |
| 35                                 | Srizony Bangladesh, Jhenaidah  | 67            | 0.38          | 35                                 | ASHRAI, Rajshahi   | 60            | 0.34          |
| 36                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 64            | 0.36          | 36                                 | Socio Economic Backing Association (SEBA), Tangail                           | 60            | 0.34          |
| 37                                 | PROTTYASHI, Chittagong   | 62            | 0.35          | 37                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 58            | 0.33          |
| 38                                 | ASHRAI, Rajshahi   | 60            | 0.34          | 38                                 | Page Development Centre (PDC), Comilla                                       | 56            | 0.32          |
| 39                                 | Page Development Centre (PDC), Comilla                                       | 56            | 0.31          | 39                                 | Muslim Aid Bangladesh, Dhaka   | 54            | 0.31          |
| 40                                 | Muslim Aid Bangladesh, Dhaka   | 54            | 0.30          | 40                                 | PROTTYASHI, Chittagong   | 52            | 0.29          |
| 41                                 | Resource Development Foundation (RDF), Dhaka                                 | 54            | 0.30          | 41                                 | Social Advancement Through Unity (SATU), Tangail                             | 51            | 0.29          |
| 42                                 | Village Education Resource Center (VERC), Dhaka                              | 52            | 0.29          | 42                                 | Society for Development Initiatives (SDI), Dhaka                             | 51            | 0.29          |
| 43                                 | Society for Development Initiatives (SDI), Dhaka                             | 51            | 0.29          | 43                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 49            | 0.28          |
| 44                                 | Church of Bangladesh Social Development Programme (CBSDP), Dhaka             | 50            | 0.28          | 44                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 44            | 0.25          |
| 45                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 49            | 0.28          | 45                                 | Shariatpur Development Society (SDS), Shariatpur                             | 44            | 0.25          |
| 46                                 | SETU, Kushtia  | 49            | 0.28          | 46                                 | Village Education Resource Center (VERC), Dhaka                              | 44            | 0.25          |
| 47                                 | Action In Development (AID), Jhenaidah                                       | 48            | 0.27          | 47                                 | Dhaka Ahsania Mission (DAM), Dhaka   | 43            | 0.24          |
| 48                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 48            | 0.27          | 48                                 | Sangathita Gramunnayan Karmasuchee (SANGRAM), Barguna                        | 43            | 0.24          |
| 49                                 | Aspada Paribesh Unnayan Foundation (APUF), Dhaka                             | 46            | 0.26          | 49                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 42            | 0.24          |
| 50                                 | MAMATA, Chittagong   | 44            | 0.25          | 50                                 | Aspada Paribesh Unnayan Foundation (APUF), Dhaka                             | 41            | 0.23          |
| <b>Total of Top 50 MFIs</b>        |  | <b>13,983</b> | <b>78.58</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>14,354</b> | <b>81.09</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>3,812</b>  | <b>21.42</b>  | <b>Total of remaining 500 MFIs</b> |  | <b>3,348</b>  | <b>18.91</b>  |
| <b>Grand Total</b>                 |  | <b>17,795</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>17,702</b> | <b>100.00</b> |



|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 31                                 | Page Development Centre (PDC), Comilla                                       | 99,542            | 0.29          | 31                                 | Page Development Centre (PDC), Comilla                                       | 91,591            | 0.29          |
| 32                                 | Gana Unnayan Kendra (GUK), Gaibandha   | 91,108            | 0.27          | 32                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 86,219            | 0.27          |
| 33                                 | PROTTYASHI, Chittagong   | 89,815            | 0.26          | 33                                 | PROTTYASHI, Chittagong   | 82,786            | 0.26          |
| 34                                 | Gram Bikash Kendra (GBK), Dinajpur   | 88,132            | 0.26          | 34                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 81,474            | 0.25          |
| 35                                 | Society for Development Initiatives (SDI), Dhaka                             | 84,765            | 0.25          | 35                                 | Society for Development Initiatives (SDI), Dhaka                             | 77,118            | 0.24          |
| 36                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 84,747            | 0.25          | 36                                 | Gram Bikash Kendra (GBK), Dinajpur   | 76,817            | 0.24          |
| 37                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 81,579            | 0.24          | 37                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 73,090            | 0.23          |
| 38                                 | Village Education Resource Center (VERC), Dhaka                              | 79,024            | 0.23          | 38                                 | National Development Programme (NDP), Sirajgonj                              | 69,297            | 0.22          |
| 39                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 78,003            | 0.23          | 39                                 | Village Education Resource Center (VERC), Dhaka                              | 68,075            | 0.21          |
| 40                                 | DAM Foundation for Economic Development (DFED), Dhaka                        | 75,524            | 0.22          | 40                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 67,966            | 0.21          |
| 41                                 | National Development Programme (NDP), Sirajgonj                              | 75,462            | 0.22          | 41                                 | Society Development Committee (SDC), Faridpur                                | 66,397            | 0.21          |
| 42                                 | Society Development Committee (SDC), Faridpur                                | 71,036            | 0.21          | 42                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 65,849            | 0.21          |
| 43                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 70,242            | 0.21          | 43                                 | Jatiyo Kallyan Sangstha (JAKAS Foundation), Joypurhat                        | 63,217            | 0.20          |
| 44                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 68,921            | 0.20          | 44                                 | Social Advancement Through Unity (SATU), Tangail                             | 61,441            | 0.19          |
| 45                                 | JAKAS Foundation, Joypurhat  | 66,273            | 0.19          | 45                                 | Dhaka Ahsania Mission (DAM), Dhaka   | 60,599            | 0.19          |
| 46                                 | Socio Economic Backing Association (SEBA), Tangail                           | 65,883            | 0.19          | 46                                 | Shariatpur Development Society (SDS), Shariatpur                             | 59,405            | 0.19          |
| 47                                 | Social Advancement Through Unity (SATU), Tangail                             | 65,240            | 0.19          | 47                                 | Srizony Bangladesh, Jhenaidah  | 57,282            | 0.18          |
| 48                                 | MAMATA, Chittagong   | 63,387            | 0.19          | 48                                 | MAMATA, Chittagong   | 56,665            | 0.18          |
| 49                                 | Shariatpur Development Society (SDS), Shariatpur                             | 59,930            | 0.18          | 49                                 | Muslim Aid Bangladesh, Dhaka   | 53,832            | 0.17          |
| 50                                 | Noakhali Rural Development Society (NRDS), Noakhali                          | 58,205            | 0.17          | 50                                 | Bangladesh Association for Social Advancement (BASA), Dhaka                  | 52,664            | 0.16          |
| <b>Total of Top 50 MFIs</b>        |  | <b>29,586,752</b> | <b>86.92</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>28,365,931</b> | <b>88.62</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>4,452,179</b>  | <b>13.08</b>  | <b>Total of remaining 500 MFIs</b> |  | <b>3,642,992</b>  | <b>11.38</b>  |
| <b>Grand Total</b>                 |  | <b>34,038,931</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>32,008,923</b> | <b>100.00</b> |

**Top 50 MFIs based on number of active members**

Number of active members as of December 2014

| Position | Name & District of the Organisation   | Active Members (Numbers) | Market Share (in %) |
|----------|---|--------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 8,640,225                | 25.38               |
| 2        | BRAC, Dhaka   | 5,510,905                | 16.19               |
| 3        | ASA, Dhaka  | 5,322,351                | 15.64               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 1,253,835                | 3.68                |
| 5        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,206,944                | 3.55                |
| 6        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 972,293                  | 2.86                |
| 7        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 482,287                  | 1.42                |
| 8        | Society for Social Service (SSS), Tangail   | 473,116                  | 1.39                |
| 9        | Jagorani Chakra Foundation (JCF), Jessore   | 437,377                  | 1.28                |
| 10       | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 424,194                  | 1.25                |
| 11       | RDRS Bangladesh, Dhaka  | 319,393                  | 0.94                |
| 12       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 267,562                  | 0.79                |
| 13       | Christian Service Society (CSS), Khulna   | 265,063                  | 0.78                |
| 14       | People's Oriented Program Implementation (POPI), Dhaka                            | 193,601                  | 0.57                |
| 15       | Ad-din Welfare Centre (AWC), Jessore  | 176,765                  | 0.52                |
| 16       | Rural Reconstruction Foundation (RRF), Jessore                                    | 174,141                  | 0.51                |
| 17       | Dushtha Shasthya Kendra (DSK), Dhaka  | 172,142                  | 0.51                |
| 18       | Integrated Development Foundation (IDF), Dhaka                                    | 161,340                  | 0.47                |
| 19       | Sajida Foundation, Dhaka  | 152,374                  | 0.45                |
| 20       | Palli Mongal Karmasuchi (PMK), Dhaka  | 151,131                  | 0.44                |
| 21       | Manabik Shahajya Sangstha (MSS), Dhaka  | 150,808                  | 0.44                |
| 22       | Wave Foundation (WF), Chuadanga   | 149,059                  | 0.44                |
| 23       | Resource Integration Centre (RIC), Dhaka  | 145,278                  | 0.43                |
| 24       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 138,756                  | 0.41                |
| 25       | Gram Unnayan Karma (GUK), Bogra   | 131,038                  | 0.38                |
| 26       | SKS Foundation, Gaibandha   | 129,621                  | 0.38                |
| 27       | Bangladesh Extension Education Services (BEES), Dhaka                             | 124,525                  | 0.37                |
| 28       | HEED Bangladesh, Dhaka  | 116,611                  | 0.34                |
| 29       | Community Development Centre (CODEC), Chittagong                                  | 115,588                  | 0.34                |
| 30       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 111,611                  | 0.33                |
| 31       | Page Development Centre (PDC), Comilla  | 99,542                   | 0.29                |
| 32       | Gana Unnayan Kendra (GUK), Gaibandha  | 91,108                   | 0.27                |

Number of active members as of December 2013

| Position | Name & District of the Organisation   | Active Members (Numbers) | Market Share (in %) |
|----------|---|--------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 8,543,977                | 26.69               |
| 2        | BRAC, Dhaka   | 5,640,684                | 17.62               |
| 3        | ASA, Dhaka  | 4,859,588                | 15.18               |
| 4        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,219,663                | 3.81                |
| 5        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 1,067,219                | 3.33                |
| 6        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 856,744                  | 2.68                |
| 7        | Society for Social Service (SSS), Tangail   | 461,119                  | 1.44                |
| 8        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 441,131                  | 1.38                |
| 9        | Jagorani Chakra Foundation (JCF), Jessore   | 405,420                  | 1.27                |
| 10       | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 381,147                  | 1.19                |
| 11       | RDRS Bangladesh, Dhaka  | 289,071                  | 0.90                |
| 12       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 241,916                  | 0.76                |
| 13       | Christian Service Society (CSS), Khulna   | 218,736                  | 0.68                |
| 14       | People's Oriented Program Implementation (POPI), Dhaka                            | 208,100                  | 0.65                |
| 15       | Rural Reconstruction Foundation (RRF), Jessore                                    | 189,945                  | 0.59                |
| 16       | Ad-din Welfare Centre (AWC), Jessore  | 167,670                  | 0.52                |
| 17       | Dushtha Shasthya Kendra (DSK), Dhaka  | 159,950                  | 0.50                |
| 18       | Sajida Foundation, Dhaka  | 150,370                  | 0.47                |
| 19       | Integrated Development Foundation (IDF), Dhaka                                    | 146,663                  | 0.46                |
| 20       | Palli Mongal Karmasuchi (PMK), Dhaka  | 140,684                  | 0.44                |
| 21       | Manabik Shahajya Sangstha (MSS), Dhaka  | 140,277                  | 0.44                |
| 22       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 132,045                  | 0.41                |
| 23       | Resource Integration Centre (RIC), Dhaka  | 131,957                  | 0.41                |
| 24       | SKS Foundation, Gaibandha   | 124,675                  | 0.39                |
| 25       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 120,782                  | 0.38                |
| 26       | Wave Foundation (WF), Chuadanga   | 120,549                  | 0.38                |
| 27       | HEED Bangladesh, Dhaka  | 112,101                  | 0.35                |
| 28       | Gram Unnayan Karma (GUK), Bogra   | 109,102                  | 0.34                |
| 29       | Bangladesh Extension Education Services (BEES), Dhaka                             | 107,833                  | 0.34                |
| 30       | Community Development Centre (CODEC), Chittagong                                  | 105,029                  | 0.33                |
| 31       | Page Development Centre (PDC), Comilla  | 91,591                   | 0.29                |
| 32       | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka          | 86,219                   | 0.27                |

|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 31                                 | Page Development Centre (PDC), Comilla                                       | 99,542            | 0.29          | 31                                 | Page Development Centre (PDC), Comilla                                       | 91,591            | 0.29          |
| 32                                 | Gana Unnayan Kendra (GUK), Gaibandha   | 91,108            | 0.27          | 32                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 86,219            | 0.27          |
| 33                                 | PROTTYASHI, Chittagong   | 89,815            | 0.26          | 33                                 | PROTTYASHI, Chittagong   | 82,786            | 0.26          |
| 34                                 | Gram Bikash Kendra (GBK), Dinajpur   | 88,132            | 0.26          | 34                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 81,474            | 0.25          |
| 35                                 | Society for Development Initiatives (SDI), Dhaka                             | 84,765            | 0.25          | 35                                 | Society for Development Initiatives (SDI), Dhaka                             | 77,118            | 0.24          |
| 36                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 84,747            | 0.25          | 36                                 | Gram Bikash Kendra (GBK), Dinajpur   | 76,817            | 0.24          |
| 37                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 81,579            | 0.24          | 37                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 73,090            | 0.23          |
| 38                                 | Village Education Resource Center (VERC), Dhaka                              | 79,024            | 0.23          | 38                                 | National Development Programme (NDP), Sirajgonj                              | 69,297            | 0.22          |
| 39                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 78,003            | 0.23          | 39                                 | Village Education Resource Center (VERC), Dhaka                              | 68,075            | 0.21          |
| 40                                 | DAM Foundation for Economic Development (DFED), Dhaka                        | 75,524            | 0.22          | 40                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 67,966            | 0.21          |
| 41                                 | National Development Programme (NDP), Sirajgonj                              | 75,462            | 0.22          | 41                                 | Society Development Committee (SDC), Faridpur                                | 66,397            | 0.21          |
| 42                                 | Society Development Committee (SDC), Faridpur                                | 71,036            | 0.21          | 42                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 65,849            | 0.21          |
| 43                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 70,242            | 0.21          | 43                                 | Jatiyo Kallyan Sangstha (JAKAS Foundation), Joypurhat                        | 63,217            | 0.20          |
| 44                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 68,921            | 0.20          | 44                                 | Social Advancement Through Unity (SATU), Tangail                             | 61,441            | 0.19          |
| 45                                 | JAKAS Foundation, Joypurhat  | 66,273            | 0.19          | 45                                 | Dhaka Ahsania Mission (DAM), Dhaka   | 60,599            | 0.19          |
| 46                                 | Socio Economic Backing Association (SEBA), Tangail                           | 65,883            | 0.19          | 46                                 | Shariatpur Development Society (SDS), Shariatpur                             | 59,405            | 0.19          |
| 47                                 | Social Advancement Through Unity (SATU), Tangail                             | 65,240            | 0.19          | 47                                 | Srizony Bangladesh, Jhenaidah  | 57,282            | 0.18          |
| 48                                 | MAMATA, Chittagong   | 63,387            | 0.19          | 48                                 | MAMATA, Chittagong   | 56,665            | 0.18          |
| 49                                 | Shariatpur Development Society (SDS), Shariatpur                             | 59,930            | 0.18          | 49                                 | Muslim Aid Bangladesh, Dhaka   | 53,832            | 0.17          |
| 50                                 | Noakhali Rural Development Society (NRDS), Noakhali                          | 58,205            | 0.17          | 50                                 | Bangladesh Association for Social Advancement (BASA), Dhaka                  | 52,664            | 0.16          |
| <b>Total of Top 50 MFIs</b>        |  | <b>29,586,752</b> | <b>86.92</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>28,365,931</b> | <b>88.62</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>4,452,179</b>  | <b>13.08</b>  | <b>Total of remaining 500 MFIs</b> |  | <b>3,642,992</b>  | <b>11.38</b>  |
| <b>Grand Total</b>                 |  | <b>34,038,931</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>32,008,923</b> | <b>100.00</b> |

**Top 50 MFIs based on disbursement of loan****Disbursement of loan during 2014**

| Position | Name & District of the Organisation   | Amount (Tk. in million) | Market Share (in %) |
|----------|---|-------------------------|---------------------|
| 1        | BRAC, Dhaka   | 151,904.86              | 23.47               |
| 2        | Grameen Bank (GB), Dhaka  | 133,320.70              | 20.60               |
| 3        | ASA, Dhaka  | 116,056.32              | 17.93               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 22,364.29               | 3.46                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 21,366.87               | 3.30                |
| 6        | Society for Social Service (SSS), Tangail   | 13,163.26               | 2.03                |
| 7        | Jagorani Chakra Foundation (JCF), Jessore   | 10,435.16               | 1.61                |
| 8        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 9,208.91                | 1.42                |
| 9        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 7,944.33                | 1.23                |
| 10       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 5,702.34                | 0.88                |
| 11       | Sajida Foundation, Dhaka  | 4,700.95                | 0.73                |
| 12       | RDRS Bangladesh, Dhaka  | 4,625.15                | 0.71                |
| 13       | Palli Mongal Karmasuchi (PMK), Dhaka  | 4,428.47                | 0.68                |
| 14       | Dushtha Shasthya Kendra (DSK), Dhaka  | 4,108.03                | 0.63                |
| 15       | Rural Reconstruction Foundation (RRF), Jessore                                    | 4,031.39                | 0.62                |
| 16       | Resource Integration Centre (RIC), Dhaka  | 3,930.58                | 0.61                |
| 17       | Christian Service Society (CSS), Khulna   | 3,767.87                | 0.58                |
| 18       | Manabik Shahajya Sangstha (MSS), Dhaka  | 3,627.98                | 0.56                |
| 19       | Gram Unnayan Karma (GUK), Bogra   | 3,568.56                | 0.55                |
| 20       | People's Oriented Program Implementation (POPI), Dhaka                            | 2,934.41                | 0.45                |
| 21       | Bangladesh Extension Education Services (BEES), Dhaka                             | 2,926.07                | 0.45                |
| 22       | Page Development Centre (PDC), Comilla  | 2,763.37                | 0.43                |
| 23       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 2,715.94                | 0.42                |
| 24       | Community Development Centre (CODEC), Chittagong                                  | 2,685.80                | 0.41                |
| 25       | Wave Foundation (WF), Chuadanga   | 2,465.48                | 0.38                |
| 26       | Ad-din Welfare Centre (AWC), Jessore  | 2,386.91                | 0.37                |
| 27       | Integrated Development Foundation (IDF), Dhaka                                    | 2,370.08                | 0.37                |
| 28       | HEED Bangladesh, Dhaka  | 2,326.52                | 0.36                |
| 29       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 2,217.26                | 0.34                |
| 30       | Society for Development Initiatives (SDI), Dhaka                                  | 2,041.47                | 0.32                |
| 31       | Village Education Resource Center (VERC), Dhaka                                   | 2,033.43                | 0.31                |
| 32       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 1,989.53                | 0.31                |

**Disbursement of loan during 2013**

| Position | Name & District of the Organisation   | Amount (Tk. in million) | Market Share (in %) |
|----------|---|-------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 126,026.30              | 22.23               |
| 2        | BRAC, Dhaka   | 121,148.90              | 21.37               |
| 3        | ASA, Dhaka  | 99,964.16               | 17.64               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 25,242.24               | 4.45                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 16,177.22               | 2.85                |
| 6        | Society for Social Service (SSS), Tangail   | 12,490.59               | 2.20                |
| 7        | Jagorani Chakra Foundation (JCF), Jessore   | 10,934.26               | 1.93                |
| 8        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 7,504.20                | 1.32                |
| 9        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 5,704.27                | 1.01                |
| 10       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 5,227.63                | 0.92                |
| 11       | Sajida Foundation, Dhaka  | 4,151.64                | 0.73                |
| 12       | RDRS Bangladesh, Dhaka  | 3,699.82                | 0.65                |
| 13       | Christian Service Society (CSS), Khulna   | 3,630.96                | 0.64                |
| 14       | Resource Integration Centre (RIC), Dhaka  | 3,500.00                | 0.62                |
| 15       | Dushtha Shasthya Kendra (DSK), Dhaka  | 3,464.77                | 0.61                |
| 16       | Palli Mongal Karmasuchi (PMK), Dhaka  | 3,060.68                | 0.54                |
| 17       | Manabik Shahajya Sangstha (MSS), Dhaka  | 3,013.77                | 0.53                |
| 18       | Rural Reconstruction Foundation (RRF), Jessore                                    | 2,724.92                | 0.48                |
| 19       | Gram Unnayan Karma (GUK), Bogra   | 2,684.55                | 0.47                |
| 20       | People's Oriented Program Implementation (POPI), Dhaka                            | 2,584.02                | 0.46                |
| 21       | Ad-din Welfare Centre (AWC), Jessore  | 2,358.11                | 0.42                |
| 22       | Bangladesh Extension Education Services (BEES), Dhaka                             | 2,335.74                | 0.41                |
| 23       | Page Development Centre (PDC), Comilla  | 2,293.90                | 0.40                |
| 24       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 2,256.79                | 0.40                |
| 25       | Wave Foundation (WF), Chuadanga   | 2,053.99                | 0.36                |
| 26       | Community Development Centre (CODEC), Chittagong                                  | 1,942.74                | 0.34                |
| 27       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 1,883.39                | 0.33                |
| 28       | Society for Development Initiatives (SDI), Dhaka                                  | 1,857.14                | 0.33                |
| 29       | Somaj-O-Jati Gathan (SOJAG), Dhaka  | 1,842.01                | 0.32                |
| 30       | PROTTYASHI, Chittagong  | 1,780.74                | 0.31                |
| 31       | Village Education Resource Center (VERC), Dhaka                                   | 1,754.89                | 0.31                |
| 32       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 1,730.50                | 0.31                |

|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 33                                 | PROTTYASHI, Chittagong   | 1,937.22          | 0.30          | 33                                 | Integrated Development Foundation (IDF), Dhaka                               | 1,703.18          | 0.30          |
| 34                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 1,803.78          | 0.28          | 34                                 | SKS Foundation, Gaibandha  | 1,608.62          | 0.28          |
| 35                                 | Uttara Development Program Society (UDPS), Dhaka                             | 1,757.95          | 0.27          | 35                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 1,532.07          | 0.27          |
| 36                                 | Society Development Committee (SDC), Faridpur                                | 1,725.69          | 0.27          | 36                                 | MAMATA, Chittagong   | 1,471.58          | 0.26          |
| 37                                 | MAMATA, Chittagong   | 1,720.64          | 0.27          | 37                                 | HEED Bangladesh, Dhaka   | 1,448.80          | 0.26          |
| 38                                 | JAKAS Foundation, Joypurhat  | 1,527.33          | 0.24          | 38                                 | National Development Programme (NDP), Sirajgonj                              | 1,428.07          | 0.25          |
| 39                                 | Shariatpur Development Society (SDS), Shariatpur                             | 1,520.52          | 0.23          | 39                                 | Shariatpur Development Society (SDS), Shariatpur                             | 1,401.02          | 0.25          |
| 40                                 | SKS Foundation, Gaibandha  | 1,473.24          | 0.23          | 40                                 | Participatory Development Initiatives of the Masses (PDIM Foundation), Dhaka | 1,328.38          | 0.23          |
| 41                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 1,461.89          | 0.23          | 41                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 1,287.25          | 0.23          |
| 42                                 | National Development Programme (NDP), Sirajgonj                              | 1,412.19          | 0.22          | 42                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 1,287.07          | 0.23          |
| 43                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 1,256.91          | 0.19          | 43                                 | Uttara Development Program Society (UDPS), Dhaka                             | 1,277.74          | 0.23          |
| 44                                 | Voluntary Organization for Social Development (VOSD), Barisal                | 1,248.32          | 0.19          | 44                                 | Society Development Committee (SDC), Faridpur                                | 1,258.67          | 0.22          |
| 45                                 | GHASHFUL, Chittagong   | 1,196.03          | 0.18          | 45                                 | Jatiyo Kallyan Sangstha (JAKAS Foundation), Joypurhat                        | 1,255.06          | 0.22          |
| 46                                 | Social Advancement Through Unity (SATU), Tangail                             | 1,165.84          | 0.18          | 46                                 | Social Advancement Through Unity (SATU), Tangail                             | 1,084.68          | 0.19          |
| 47                                 | Participatory Development Initiatives of the Masses (PDIM Foundation), Dhaka | 1,149.66          | 0.18          | 47                                 | GHASHFUL, Chittagong   | 1,017.26          | 0.18          |
| 48                                 | Socio Economic Backing Association (SEBA), Tangail                           | 1,128.67          | 0.17          | 48                                 | Muslim Aid Bangladesh, Dhaka   | 1,004.42          | 0.18          |
| 49                                 | Gram Bikash Kendra (GBK), Dinajpur   | 1,090.43          | 0.17          | 49                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 996.02            | 0.18          |
| 50                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 1,055.78          | 0.16          | 50                                 | Aspada Paribesh Unnayan Foundation (APUF), Dhaka                             | 953.34            | 0.17          |
| <b>Total of Top 50 MFIs</b>        |  | <b>585,744.34</b> | <b>90.50</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>510,368.04</b> | <b>90.04</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>61,471.27</b>  | <b>9.50</b>   | <b>Total of remaining 500 MFIs</b> |  | <b>56,473.53</b>  | <b>9.96</b>   |
| <b>Grand Total</b>                 |  | <b>647,215.61</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>566,841.57</b> | <b>100.00</b> |

**Top 50 MFIs based on loan outstanding**

Loan outstanding as of December 2014

| Position | Name & District of the Organisation   | Loan Outstanding (Tk. in million) | Market Share (in %) |
|----------|---|-----------------------------------|---------------------|
| 1        | BRAC, Dhaka   | 91,244.67                         | 22.26               |
| 2        | Grameen Bank (GB), Dhaka  | 87,495.30                         | 21.34               |
| 3        | ASA, Dhaka  | 72,218.62                         | 17.62               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 15,297.33                         | 3.73                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 11,875.91                         | 2.90                |
| 6        | Jagorani Chakra Foundation (JCF), Jessore   | 7,794.29                          | 1.90                |
| 7        | Society for Social Service (SSS), Tangail   | 7,412.68                          | 1.81                |
| 8        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 5,611.22                          | 1.37                |
| 9        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 4,523.96                          | 1.10                |
| 10       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 4,357.66                          | 1.06                |
| 11       | RDRS Bangladesh, Dhaka  | 3,002.92                          | 0.73                |
| 12       | Sajida Foundation, Dhaka  | 2,894.82                          | 0.71                |
| 13       | Palli Mongal Karmasuchi (PMK), Dhaka  | 2,890.45                          | 0.71                |
| 14       | Dushtha Shasthya Kendra (DSK), Dhaka  | 2,574.69                          | 0.63                |
| 15       | Christian Service Society (CSS), Khulna   | 2,547.29                          | 0.62                |
| 16       | Rural Reconstruction Foundation (RRF), Jessore                                    | 2,422.25                          | 0.59                |
| 17       | Manabik Shahajya Sangstha (MSS), Dhaka  | 2,342.23                          | 0.57                |
| 18       | Resource Integration Centre (RIC), Dhaka  | 2,224.81                          | 0.54                |
| 19       | Gram Unnayan Karma (GUK), Bogra   | 2,138.24                          | 0.52                |
| 20       | Bangladesh Extension Education Services (BEES), Dhaka                             | 1,955.46                          | 0.48                |
| 21       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,907.53                          | 0.47                |
| 22       | People's Oriented Program Implementation (POPI), Dhaka                            | 1,880.12                          | 0.46                |
| 23       | Integrated Development Foundation (IDF), Dhaka                                    | 1,701.26                          | 0.41                |
| 24       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 1,620.13                          | 0.40                |
| 25       | Page Development Centre (PDC), Comilla  | 1,416.29                          | 0.35                |
| 26       | Wave Foundation (WF), Chuadanga   | 1,330.60                          | 0.32                |
| 27       | HEED Bangladesh, Dhaka  | 1,311.60                          | 0.32                |
| 28       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 1,299.18                          | 0.32                |
| 29       | Community Development Centre (CODEC), Chittagong                                  | 1,256.04                          | 0.31                |
| 30       | Village Education Resource Center (VERC), Dhaka                                   | 1,249.50                          | 0.30                |
| 31       | Ad-din Welfare Centre (AWC), Jessore  | 1,249.00                          | 0.30                |
| 32       | SKS Foundation, Gaibandha   | 1,215.34                          | 0.30                |
| 33       | PROTTYASHI, Chittagong  | 1,113.80                          | 0.27                |
| 34       | Society for Development Initiatives (SDI), Dhaka                                  | 1,103.75                          | 0.27                |
| 35       | MAMATA, Chittagong  | 1,075.25                          | 0.26                |

Loan outstanding as of December 2013

| Position | Name & District of the Organisation   | Loan Outstanding (Tk. in million) | Market Share (in %) |
|----------|---|-----------------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 84,385.00                         | 24.24               |
| 2        | BRAC, Dhaka   | 71,889.57                         | 20.65               |
| 3        | ASA, Dhaka  | 59,214.95                         | 17.01               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 16,584.22                         | 4.76                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 9,950.27                          | 2.86                |
| 6        | Jagorani Chakra Foundation (JCF), Jessore   | 7,371.32                          | 2.12                |
| 7        | Society for Social Service (SSS), Tangail   | 6,429.69                          | 1.85                |
| 8        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 4,475.88                          | 1.29                |
| 9        | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 3,213.47                          | 0.92                |
| 10       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 3,083.37                          | 0.89                |
| 11       | Sajida Foundation, Dhaka  | 2,597.36                          | 0.75                |
| 12       | RDRS Bangladesh, Dhaka  | 2,390.08                          | 0.69                |
| 13       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 2,304.64                          | 0.66                |
| 14       | Palli Mongal Karmasuchi (PMK), Dhaka  | 2,292.50                          | 0.66                |
| 15       | Christian Service Society (CSS), Khulna   | 2,118.86                          | 0.61                |
| 16       | Resource Integration Centre (RIC), Dhaka  | 1,950.01                          | 0.56                |
| 17       | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,948.47                          | 0.56                |
| 18       | Dushtha Shasthya Kendra (DSK), Dhaka  | 1,881.28                          | 0.54                |
| 19       | Manabik Shahajya Sangstha (MSS), Dhaka  | 1,864.82                          | 0.54                |
| 20       | Rural Reconstruction Foundation (RRF), Jessore                                    | 1,802.58                          | 0.52                |
| 21       | People's Oriented Program Implementation (POPI), Dhaka                            | 1,733.86                          | 0.50                |
| 22       | Gram Unnayan Karma (GUK), Bogra   | 1,572.89                          | 0.45                |
| 23       | Integrated Development Foundation (IDF), Dhaka                                    | 1,548.41                          | 0.44                |
| 24       | Bangladesh Extension Education Services (BEES), Dhaka                             | 1,492.64                          | 0.43                |
| 25       | Somaj-O-Jati Gathan (SOJAG), Dhaka  | 1,333.17                          | 0.38                |
| 26       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 1,277.94                          | 0.37                |
| 27       | Page Development Centre (PDC), Comilla  | 1,162.06                          | 0.33                |
| 28       | Community Development Centre (CODEC), Chittagong                                  | 1,160.89                          | 0.33                |
| 29       | Wave Foundation (WF), Chuadanga   | 1,110.44                          | 0.32                |
| 30       | Ad-din Welfare Centre (AWC), Jessore  | 1,070.72                          | 0.31                |
| 31       | Society for Development Initiatives (SDI), Dhaka                                  | 1,017.16                          | 0.29                |
| 32       | SKS Foundation, Gaibandha   | 1,008.67                          | 0.29                |
| 33       | PROTTYASHI, Chittagong  | 1,005.42                          | 0.29                |
| 34       | HEED Bangladesh, Dhaka  | 1,005.14                          | 0.29                |
| 35       | Village Education Resource Center (VERC), Dhaka                                   | 973.70                            | 0.28                |

|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 36                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 1,048.27          | 0.26          | 36                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 883.09            | 0.25          |
| 37                                 | Shariatpur Development Society (SDS), Shariatpur                             | 984.36            | 0.24          | 37                                 | MAMATA, Chittagong   | 820.10            | 0.24          |
| 38                                 | National Development Programme (NDP), Sirajgonj                              | 969.91            | 0.24          | 38                                 | Uttara Development Program Society (UDPS), Dhaka                             | 815.06            | 0.23          |
| 39                                 | Uttara Development Program Society (UDPS), Dhaka                             | 888.90            | 0.22          | 39                                 | Shariatpur Development Society (SDS), Shariatpur                             | 765.00            | 0.22          |
| 40                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 865.12            | 0.21          | 40                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 754.73            | 0.22          |
| 41                                 | Socio Economic Backing Association (SEBA), Tangail                           | 861.94            | 0.21          | 41                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobic Kallyan Sangstha, Kushtia | 735.13            | 0.21          |
| 42                                 | Society Development Committee (SDC), Faridpur                                | 854.67            | 0.21          | 42                                 | Jatiyo Kallyan Sangstha (JAKAS Foundation), Joypurhat                        | 711.44            | 0.20          |
| 43                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 817.81            | 0.20          | 43                                 | Society Development Committee (SDC), Faridpur                                | 677.18            | 0.19          |
| 44                                 | Somaj-O-Jati Gathan (SOJAG), Dhaka   | 808.94            | 0.20          | 44                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 675.88            | 0.19          |
| 45                                 | Voluntary Organization for Social Development (VOSD), Barisal                | 749.56            | 0.18          | 45                                 | National Development Programme (NDP), Sirajgonj                              | 649.71            | 0.19          |
| 46                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobic Kallyan Sangstha, Kushtia | 743.73            | 0.18          | 46                                 | Dhaka Ahsania Mission (DAM), Dhaka   | 620.05            | 0.18          |
| 47                                 | Participatory Development Initiatives of the Masses (PDIM Foundation), Dhaka | 703.98            | 0.17          | 47                                 | GHASHFUL, Chittagong   | 610.35            | 0.18          |
| 48                                 | DAM Foundation for Economic Development (DFED), Dhaka                        | 667.44            | 0.16          | 48                                 | Srizony Bangladesh, Jhenaidah  | 604.39            | 0.17          |
| 49                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 665.97            | 0.16          | 49                                 | Social Advancement Through Unity (SATU), Tangail                             | 589.67            | 0.17          |
| 50                                 | Development Initiative for Social Advancement (DISA), Dhaka                  | 663.54            | 0.16          | 50                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 576.87            | 0.17          |
| <b>Total of Top 50 MFIs</b>        |  | <b>365,848.34</b> | <b>89.24</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>316,710.10</b> | <b>90.99</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>44,117.23</b>  | <b>10.76</b>  | <b>Total of remaining 500 MFIs</b> |  | <b>31,343.12</b>  | <b>9.01</b>   |
| <b>Grand Total</b>                 |  | <b>409,965.57</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>348,053.22</b> | <b>100.00</b> |

**Top 50 MFIs based on number of outstanding borrowers**

Number of outstanding borrowers as of December 2014

| Position | Name & District of the Organisation   | Outstanding Borrowers (Numbers) | Market Share (in %) |
|----------|---|---------------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 6,747,139                       | 24.77               |
| 2        | BRAC, Dhaka   | 4,798,118                       | 17.61               |
| 3        | ASA, Dhaka  | 4,664,443                       | 17.12               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 845,578                         | 3.10                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 817,066                         | 3.00                |
| 6        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 725,860                         | 2.66                |
| 7        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 427,643                         | 1.57                |
| 8        | Society for Social Service (SSS), Tangail   | 368,705                         | 1.35                |
| 9        | Jagorani Chakra Foundation (JCF), Jessore   | 301,892                         | 1.11                |
| 10       | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 281,128                         | 1.03                |
| 11       | RDRS Bangladesh, Dhaka  | 230,230                         | 0.85                |
| 12       | Christian Service Society (CSS), Khulna   | 226,515                         | 0.83                |
| 13       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 220,930                         | 0.81                |
| 14       | Rural Reconstruction Foundation (RRF), Jessore                                    | 173,076                         | 0.64                |
| 15       | People's Oriented Program Implementation (POPI), Dhaka                            | 149,648                         | 0.55                |
| 16       | Integrated Development Foundation (IDF), Dhaka                                    | 142,780                         | 0.52                |
| 17       | Manabik Shahajya Sangstha (MSS), Dhaka  | 137,207                         | 0.50                |
| 18       | Dushtha Shasthya Kendra (DSK), Dhaka  | 137,138                         | 0.50                |
| 19       | Sajida Foundation, Dhaka  | 127,419                         | 0.47                |
| 20       | Ad-din Welfare Centre (AWC), Jessore  | 126,624                         | 0.46                |
| 21       | Palli Mongal Karmasuchi (PMK), Dhaka  | 123,147                         | 0.45                |
| 22       | Resource Integration Centre (RIC), Dhaka  | 118,261                         | 0.43                |
| 23       | Gram Unnayan Karma (GUK), Bogra   | 111,083                         | 0.41                |
| 24       | Wave Foundation (WF), Chuadanga   | 106,880                         | 0.39                |
| 25       | Bangladesh Extension Education Services (BEES), Dhaka                             | 103,419                         | 0.38                |
| 26       | SKS Foundation, Gaibandha   | 99,446                          | 0.37                |
| 27       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 91,818                          | 0.34                |
| 28       | Community Development Centre (CODEC), Chittagong                                  | 85,823                          | 0.32                |
| 29       | Page Development Centre (PDC), Comilla  | 83,267                          | 0.31                |
| 30       | HEED Bangladesh, Dhaka  | 81,777                          | 0.30                |
| 31       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 79,636                          | 0.29                |
| 32       | Gana Unnayan Kendra (GUK), Gaibandha  | 79,603                          | 0.29                |
| 33       | PROTTYASHI, Chittagong  | 70,280                          | 0.26                |
| 34       | Society for Development Initiatives (SDI), Dhaka                                  | 65,994                          | 0.24                |

Number of outstanding borrowers as of December 2013

| Position | Name & District of the Organisation   | Outstanding Borrowers (Numbers) | Market Share (in %) |
|----------|---|---------------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 6,738,588                       | 26.25               |
| 2        | BRAC, Dhaka   | 4,528,600                       | 17.64               |
| 3        | ASA, Dhaka  | 4,339,877                       | 16.90               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 934,237                         | 3.64                |
| 5        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 729,583                         | 2.84                |
| 6        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 713,846                         | 2.78                |
| 7        | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 398,656                         | 1.55                |
| 8        | Society for Social Service (SSS), Tangail   | 367,817                         | 1.43                |
| 9        | Jagorani Chakra Foundation (JCF), Jessore   | 313,564                         | 1.22                |
| 10       | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 258,942                         | 1.01                |
| 11       | RDRS Bangladesh, Dhaka  | 216,257                         | 0.84                |
| 12       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 196,779                         | 0.77                |
| 13       | Christian Service Society (CSS), Khulna   | 189,704                         | 0.74                |
| 14       | Rural Reconstruction Foundation (RRF), Jessore                                    | 183,098                         | 0.71                |
| 15       | People's Oriented Program Implementation (POPI), Dhaka                            | 163,691                         | 0.64                |
| 16       | Ad-din Welfare Centre (AWC), Jessore  | 130,336                         | 0.51                |
| 17       | Manabik Shahajya Sangstha (MSS), Dhaka  | 130,173                         | 0.51                |
| 18       | Sajida Foundation, Dhaka  | 124,886                         | 0.49                |
| 19       | Integrated Development Foundation (IDF), Dhaka                                    | 121,975                         | 0.48                |
| 20       | Dushtha Shasthya Kendra (DSK), Dhaka  | 119,981                         | 0.47                |
| 21       | Palli Mongal Karmasuchi (PMK), Dhaka  | 113,938                         | 0.44                |
| 22       | Resource Integration Centre (RIC), Dhaka  | 109,223                         | 0.43                |
| 23       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 104,001                         | 0.41                |
| 24       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 100,916                         | 0.39                |
| 25       | Wave Foundation (WF), Chuadanga   | 100,126                         | 0.39                |
| 26       | Gram Unnayan Karma (GUK), Bogra   | 93,051                          | 0.36                |
| 27       | SKS Foundation, Gaibandha   | 92,139                          | 0.36                |
| 28       | Bangladesh Extension Education Services (BEES), Dhaka                             | 87,830                          | 0.34                |
| 29       | HEED Bangladesh, Dhaka  | 84,774                          | 0.33                |
| 30       | Community Development Centre (CODEC), Chittagong                                  | 77,116                          | 0.30                |
| 31       | Page Development Centre (PDC), Comilla  | 74,702                          | 0.29                |
| 32       | PROTTYASHI, Chittagong  | 68,172                          | 0.27                |
| 33       | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka          | 67,543                          | 0.26                |
| 34       | Society for Development Initiatives (SDI), Dhaka                                  | 62,501                          | 0.24                |



|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 35                                 | Gram Bikash Kendra (GBK), Dinajpur   | 65,064            | 0.24          | 35                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 60,509            | 0.24          |
| 36                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 62,874            | 0.23          | 36                                 | Gram Bikash Kendra (GBK), Dinajpur   | 58,104            | 0.23          |
| 37                                 | Village Education Resource Center (VERC), Dhaka                              | 62,499            | 0.23          | 37                                 | National Development Programme (NDP), Sirajgonj                              | 56,170            | 0.22          |
| 38                                 | DAM Foundation for Economic Development (DFED), Dhaka                        | 61,529            | 0.23          | 38                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 53,421            | 0.21          |
| 39                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobik Kallyan Sangstha, Kushtia | 59,377            | 0.22          | 39                                 | Society Development Committee (SDC), Faridpur                                | 53,357            | 0.21          |
| 40                                 | Society Development Committee (SDC), Faridpur                                | 57,455            | 0.21          | 40                                 | Jatiyo Kallyan Sangstha (JAKAS Foundation), Joypurhat                        | 52,782            | 0.21          |
| 41                                 | National Development Programme (NDP), Sirajgonj                              | 56,731            | 0.21          | 41                                 | Dhaka Ahsania Mission (DAM), Dhaka   | 52,625            | 0.20          |
| 42                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 56,285            | 0.21          | 42                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 50,562            | 0.20          |
| 43                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 52,410            | 0.19          | 43                                 | Village Education Resource Center (VERC), Dhaka                              | 49,564            | 0.19          |
| 44                                 | Palli Progoti Shahayak Samity (PPSS), Faridpur                               | 52,128            | 0.19          | 44                                 | Srizony Bangladesh, Jhenaidah  | 48,420            | 0.19          |
| 45                                 | Voluntary Organization for Social Development (VOSD), Barisal                | 51,787            | 0.19          | 45                                 | Social Advancement Through Unity (SATU), Tangail                             | 47,810            | 0.19          |
| 46                                 | Social Advancement Through Unity (SATU), Tangail                             | 45,254            | 0.17          | 46                                 | Nowabenki Gonomukhi Foundation (NGF), Satkhira                               | 47,464            | 0.18          |
| 47                                 | Shariatpur Development Society (SDS), Shariatpur                             | 45,250            | 0.17          | 47                                 | Voluntary Organization for Social Development (VOSD), Barisal                | 46,817            | 0.18          |
| 48                                 | ASHRAI, Rajshahi   | 44,862            | 0.16          | 48                                 | Shariatpur Development Society (SDS), Shariatpur                             | 44,131            | 0.17          |
| 49                                 | Socio Economic Backing Association (SEBA), Tangail                           | 44,440            | 0.16          | 49                                 | Muslim Aid Bangladesh, Dhaka   | 43,893            | 0.17          |
| 50                                 | GHASHFUL, Chittagong   | 43,128            | 0.16          | 50                                 | GHASHFUL, Chittagong   | 39,340            | 0.15          |
| <b>Total of Top 50 MFIs</b>        |  | <b>23,810,646</b> | <b>87.40</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>22,941,591</b> | <b>89.36</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>3,431,251</b>  | <b>12.60</b>  | <b>Total of remaining 500 MFIs</b> |  | <b>2,730,792</b>  | <b>10.64</b>  |
| <b>Grand Total</b>                 |  | <b>27,241,897</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>25,672,383</b> | <b>100.00</b> |

**Top 50 MFIs based on net savings**

Net savings as of December 2014

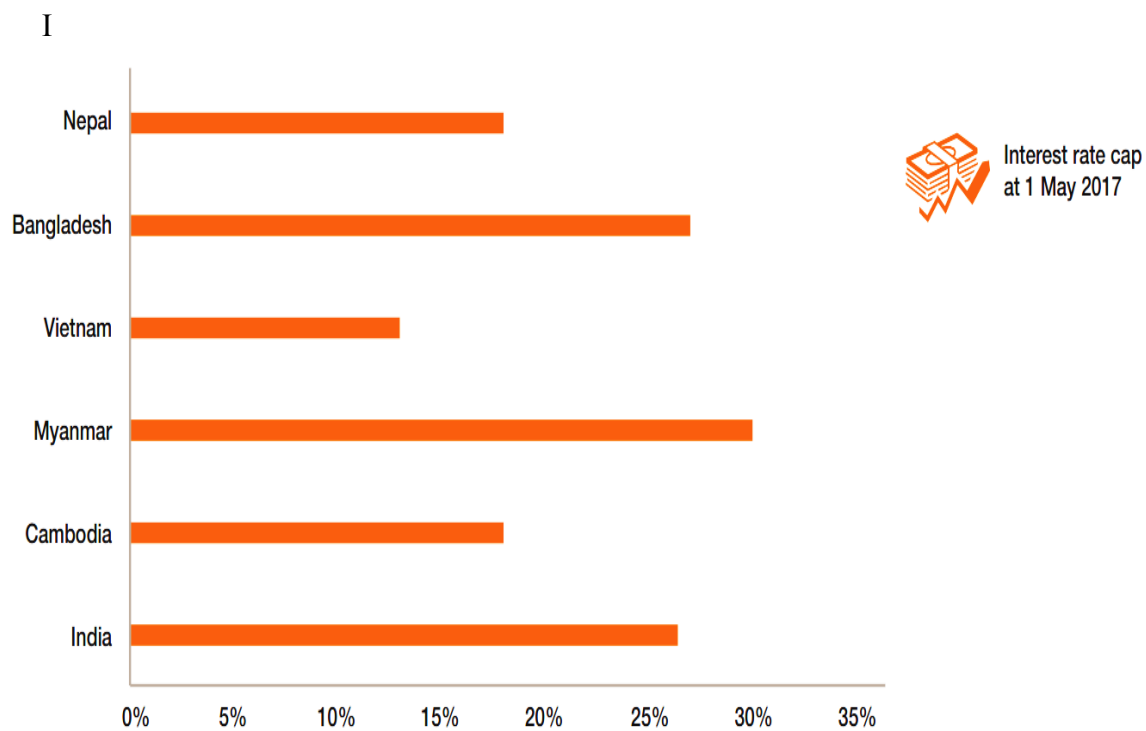
| Position | Name & District of the Organisation   | Net Savings (Tk. in million) | Market Share (in %) |
|----------|---|------------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 105,790.80                   | 46.58               |
| 2        | BRAC, Dhaka   | 34,180.82                    | 15.05               |
| 3        | ASA, Dhaka  | 32,402.86                    | 14.27               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 4,757.14                     | 2.09                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 3,871.94                     | 1.70                |
| 6        | Society for Social Service (SSS), Tangail   | 3,493.93                     | 1.54                |
| 7        | Jagorani Chakra Foundation (JCF), Jessore   | 2,700.67                     | 1.19                |
| 8        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,890.71                     | 0.83                |
| 9        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 1,876.03                     | 0.83                |
| 10       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 1,729.68                     | 0.76                |
| 11       | RDRS Bangladesh, Dhaka  | 1,145.89                     | 0.50                |
| 12       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 1,145.60                     | 0.50                |
| 13       | Sajida Foundation, Dhaka  | 1,072.07                     | 0.47                |
| 14       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 1,034.74                     | 0.46                |
| 15       | Palli Mongal Karmasuchi (PMK), Dhaka  | 1,017.49                     | 0.45                |
| 16       | Dushtha Shasthya Kendra (DSK), Dhaka  | 936.36                       | 0.41                |
| 17       | Christian Service Society (CSS), Khulna   | 917.22                       | 0.40                |
| 18       | Manabik Shahajya Sangstha (MSS), Dhaka  | 850.82                       | 0.37                |
| 19       | Resource Integration Centre (RIC), Dhaka  | 740.25                       | 0.33                |
| 20       | People's Oriented Program Implementation (POPI), Dhaka                            | 734.30                       | 0.32                |
| 21       | HEED Bangladesh, Dhaka  | 623.73                       | 0.27                |
| 22       | Bangladesh Extension Education Services (BEES), Dhaka                             | 593.54                       | 0.26                |
| 23       | Gram Unnayan Karma (GUK), Bogra   | 559.73                       | 0.25                |
| 24       | Page Development Centre (PDC), Comilla  | 544.36                       | 0.24                |
| 25       | Rural Reconstruction Foundation (RRF), Jessore                                    | 544.13                       | 0.24                |
| 26       | Ad-din Welfare Centre (AWC), Jessore  | 528.32                       | 0.23                |
| 27       | MAMATA, Chittagong  | 521.08                       | 0.23                |
| 28       | Integrated Development Foundation (IDF), Dhaka                                    | 515.92                       | 0.23                |
| 29       | PROTTYASHI, Chittagong  | 413.48                       | 0.18                |
| 30       | Socio Economic Backing Association (SEBA), Tangail                                | 389.99                       | 0.17                |
| 31       | SKS Foundation, Gaibandha   | 385.31                       | 0.17                |
| 32       | Community Development Centre (CODEC), Chittagong                                  | 377.93                       | 0.17                |
| 33       | Bangladesh Ignite Youth Society (BIYS), Chapainawabganj                           | 364.19                       | 0.16                |
| 34       | Society for Development Initiatives (SDI), Dhaka                                  | 363.56                       | 0.16                |

Net savings as of December 2013

| Position | Name & District of the Organisation   | Net Savings (Tk. in million) | Market Share (in %) |
|----------|---|------------------------------|---------------------|
| 1        | Grameen Bank (GB), Dhaka  | 92,211.00                    | 47.82               |
| 2        | BRAC, Dhaka   | 29,034.85                    | 15.06               |
| 3        | ASA, Dhaka  | 26,162.36                    | 13.57               |
| 4        | Basic Unit for Resources and Opportunities of Bangladesh (BURO Bangladesh), Dhaka | 4,209.22                     | 2.18                |
| 5        | Thengamara Mohila Sabuj Sangha (TMSS), Dhaka                                      | 3,187.48                     | 1.65                |
| 6        | Society for Social Service (SSS), Tangail   | 3,086.89                     | 1.60                |
| 7        | Jagorani Chakra Foundation (JCF), Jessore   | 2,161.62                     | 1.12                |
| 8        | Proshika Manobik Unnayan Kendra (PMUK), Dhaka                                     | 1,763.67                     | 0.91                |
| 9        | United Development Initiative for Programmed Actions (UDDIPAN), Dhaka             | 1,406.05                     | 0.73                |
| 10       | Padakhep Manabik Unnayan Kendra (PMUK), Dhaka                                     | 1,243.98                     | 0.65                |
| 11       | Centre for Development Innovation and Practices (CDIP), Dhaka                     | 935.24                       | 0.49                |
| 12       | RDRS Bangladesh, Dhaka  | 924.53                       | 0.48                |
| 13       | Shakti Foundation for Disadvantaged Women (SFDW), Dhaka                           | 898.17                       | 0.47                |
| 14       | Palli Mongal Karmasuchi (PMK), Dhaka  | 858.13                       | 0.45                |
| 15       | Sajida Foundation, Dhaka  | 803.82                       | 0.42                |
| 16       | Christian Service Society (CSS), Khulna   | 768.34                       | 0.40                |
| 17       | Dushtha Shasthya Kendra (DSK), Dhaka  | 733.66                       | 0.38                |
| 18       | People's Oriented Program Implementation (POPI), Dhaka                            | 654.76                       | 0.34                |
| 19       | Resource Integration Centre (RIC), Dhaka  | 651.95                       | 0.34                |
| 20       | Manabik Shahajya Sangstha (MSS), Dhaka  | 593.07                       | 0.31                |
| 21       | HEED Bangladesh, Dhaka  | 530.95                       | 0.28                |
| 22       | Page Development Centre (PDC), Comilla  | 506.57                       | 0.26                |
| 23       | Bangladesh Extension Education Services (BEES), Dhaka                             | 467.05                       | 0.24                |
| 24       | Ad-din Welfare Centre (AWC), Jessore  | 462.53                       | 0.24                |
| 25       | Integrated Development Foundation (IDF), Dhaka                                    | 425.33                       | 0.22                |
| 26       | MAMATA, Chittagong  | 422.43                       | 0.22                |
| 27       | Rural Reconstruction Foundation (RRF), Jessore                                    | 418.79                       | 0.22                |
| 28       | Gram Unnayan Karma (GUK), Bogra   | 394.80                       | 0.20                |
| 29       | Eco-Social Development Organization (ESDO), Thakurgaon                            | 343.83                       | 0.18                |
| 30       | Bangladesh Ignite Youth Society (BIYS), Chapainawabganj                           | 342.95                       | 0.18                |
| 31       | PROTTYASHI, Chittagong  | 322.44                       | 0.17                |
| 32       | Community Development Centre (CODEC), Chittagong                                  | 314.19                       | 0.16                |
| 33       | Society for Development Initiatives (SDI), Dhaka                                  | 312.86                       | 0.16                |
| 34       | Village Education Resource Center (VERC), Dhaka                                   | 295.25                       | 0.15                |

|                                    |  |                   |               |                                    |  |                   |               |
|------------------------------------|--|-------------------|---------------|------------------------------------|--|-------------------|---------------|
| 35                                 | Village Education Resource Center (VERC), Dhaka                              | 354.35            | 0.16          | 35                                 | GHASHFUL, Chittagong   | 293.20            | 0.15          |
| 36                                 | Aspada Paribesh Unnayan Foundation (APUF), Dhaka                             | 348.02            | 0.15          | 36                                 | SKS Foundation, Gaibandha  | 290.81            | 0.15          |
| 37                                 | Wave Foundation (WF), Chuadanga  | 335.49            | 0.15          | 37                                 | Aspada Paribesh Unnayan Foundation (APUF), Dhaka                             | 284.51            | 0.15          |
| 38                                 | Society Development Committee (SDC), Faridpur                                | 326.05            | 0.14          | 38                                 | Wave Foundation (WF), Chuadanga  | 272.00            | 0.14          |
| 39                                 | GHASHFUL, Chittagong   | 320.65            | 0.14          | 39                                 | Muslim Aid Bangladesh, Dhaka   | 264.34            | 0.14          |
| 40                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 317.18            | 0.14          | 40                                 | Centre for Community Development Assistance (CCDA), Dhaka                    | 263.75            | 0.14          |
| 41                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 309.84            | 0.14          | 41                                 | Coastal Association for Social Transformation Trust (COAST Trust), Dhaka     | 254.84            | 0.13          |
| 42                                 | Uttara Development Program Society (UDPS), Dhaka                             | 269.60            | 0.12          | 42                                 | Society Development Committee (SDC), Faridpur                                | 252.80            | 0.13          |
| 43                                 | Participatory Development Initiatives of the Masses (PDIM Foundation), Dhaka | 267.24            | 0.12          | 43                                 | Socio Economic Backing Association (SEBA), Tangail                           | 244.01            | 0.13          |
| 44                                 | Association for Realisation of Basic Needs (ARBAN), Dhaka                    | 257.44            | 0.11          | 44                                 | Uttara Development Program Society (UDPS), Dhaka                             | 230.10            | 0.12          |
| 45                                 | Development Initiative for Social Advancement (DISA), Dhaka                  | 257.15            | 0.11          | 45                                 | Association for Realisation of Basic Needs (ARBAN), Dhaka                    | 229.74            | 0.12          |
| 46                                 | Muslim Aid Bangladesh, Dhaka   | 256.30            | 0.11          | 46                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobic Kallyan Sangstha, Kushtia | 217.44            | 0.11          |
| 47                                 | Shariatpur Development Society (SDS), Shariatpur                             | 248.46            | 0.11          | 47                                 | Participatory Development Initiatives of the Masses (PDIM Foundation), Dhaka | 213.82            | 0.11          |
| 48                                 | Gram Bikash Kendra (GBK), Dinajpur   | 243.26            | 0.11          | 48                                 | Shariatpur Development Society (SDS), Shariatpur                             | 202.50            | 0.11          |
| 49                                 | DESHA Shechsashebi Artho-Samajik Unnayan O Manobic Kallyan Sangstha, Kushtia | 237.61            | 0.10          | 49                                 | Social Advancement Through Unity (SATU), Tangail                             | 199.28            | 0.10          |
| 50                                 | Eco-Social Development Organization (ESDO), Thakurgaon                       | 233.87            | 0.10          | 50                                 | Gram Bikash Kendra (GBK), Dinajpur   | 196.72            | 0.10          |
| <b>Total of Top 50 MFIs</b>        |  | <b>213,597.09</b> | <b>94.04</b>  | <b>Total of Top 50 MFIs</b>        |  | <b>181,758.62</b> | <b>94.27</b>  |
| <b>Total of remaining 461 MFIs</b> |  | <b>13,533.61</b>  | <b>5.96</b>   | <b>Total of remaining 500 MFIs</b> |  | <b>11,051.56</b>  | <b>5.73</b>   |
| <b>Grand Total</b>                 |  | <b>227,130.70</b> | <b>100.00</b> | <b>Grand Total</b>                 |  | <b>192,810.18</b> | <b>100.00</b> |

Source : CDF (2014)

**Appendix 4: Interest rate cap in some Asian countries**

An interest rate cap that is reasonably fixed causes problems of either over-charging or under-charging depending on the

inflation rates. It is recommended that the interest rate caps are not fixed but are more dynamic in nature.

---

Source: PwC (2017)

## Appendix 5: Questionnaire for microfinance users

### Questionnaire for microfinance users

We are carrying out an evaluation of some of the financial services, to see if we can improve facilities and make them more relevant for micro finance customers. Thank you for taking the time to fill in this questionnaire; it should only take 5 minutes. Please return your completed questionnaire to any member. Your answers will be treated with complete confidentiality, and unless you choose to provide an e-mail address, will be entirely anonymous. If you have any questions about this questionnaire, please contact [microfinancehelp@gmail.com](mailto:microfinancehelp@gmail.com).

Rate the essence of Microfinance?

- |                      |                          |
|----------------------|--------------------------|
| very important       | <input type="checkbox"/> |
| quite important      | <input type="checkbox"/> |
| not very important   | <input type="checkbox"/> |
| not at all important | <input type="checkbox"/> |

Do you consider yourself (as user of micro finance)?

- |                           |                          |
|---------------------------|--------------------------|
| a beginner                | <input type="checkbox"/> |
| an intermediate user      | <input type="checkbox"/> |
| a fairly experienced user | <input type="checkbox"/> |
| a very experienced user   | <input type="checkbox"/> |

3. How important is it for an entrepreneur to get microfinance facilities?

- |                      |                          |
|----------------------|--------------------------|
| very important       | <input type="checkbox"/> |
| quite important      | <input type="checkbox"/> |
| not very important   | <input type="checkbox"/> |
| not at all important | <input type="checkbox"/> |

Are you:

- |        |                          |
|--------|--------------------------|
| male   | <input type="checkbox"/> |
| female | <input type="checkbox"/> |

Are you:

- under 16 ☐
- 16-25 ☐
- 26-35 ☐
- 36-45 ☐
- 46-55 ☐
- 56-65 ☐
- over 65 ☐

6. Would you be interested in training on how to use micro finance facilities?

- Yes ☐
- No ☐

7. Do you think interest rate charged by Microfinance Institution's (MFI's) is appropriate?

- Yes ☐
- No ☐

8. Do you think banks have good scope through Microfinance?

- Yes ☐
- No ☐

9. Would you prefer to take loan from banks or MFI's?

- Banks ☐
- MFIs ☐

10. According to you which factors are more crucial for rapid growth of

- Low interest rate ☐
- Availability ☐
- Processing & authorising of loan ☐

Repayment Factor ☐

11. Do you think Microfinance has helped in Rural Bangladesh?

Yes ☐

No ☐

12. Microfinance concept is relevance in rural Bangladesh as well as urban area. Do you agree?

Yes ☐

No ☐

13. Microfinance can help unemployed urban youth?

Yes ☐

No ☐

14) Do you think Microfinance is a tool to eradicate poverty?

Yes ☐

No ☐

15) How do you anticipate the future of Microfinance and entrepreneurship?

|  |
|--|
|  |
|--|

Thank them for taking the time to answer the questionnaire.

**Appendix 6: Dimensions/variable affecting ethical way in Bangladeshi context**

| <b>Dimensions</b>               | <b>Variables per dimnsion</b>        |
|---------------------------------|--------------------------------------|
| Ethical Variable                | Deonological Ethical                 |
|                                 | Conventional Ethical                 |
|                                 | Utilitarian Ethical                  |
| Economic-Ethical Variable       | Indirect-Deontological               |
|                                 | Direct-Deontological                 |
|                                 | Direct-Utilitarianism                |
| Economic-Legal Variable         | Indirect-Avoidance                   |
|                                 | Direct-Compliance/Direct-Restrictive |
| Legal-Ethical Variable          | Restrictive-Deontological            |
|                                 | Restrictive-Conventional             |
|                                 | Restrictive-Utilitarianism           |
| Economic-Ethical-Legal Variable | Direct-Anticipation-Utilitarian      |
|                                 | Indirect-Anticipation-Conventional   |
|                                 | Indirect-Opportunistic-Deontological |
|                                 | Direct-Opportunistic-Conventional    |
|                                 | Indirect-Opportunistic-Utilitarian   |
|                                 | Indirect-Avoidance-Conventional      |
|                                 | Indirect-Anticipation-Deontological  |
|                                 | Indirect-Avoidance-Deontological     |
|                                 | Indirect-Restrictive-Utilitarian     |
|                                 | Indirect-Restrictive-Deontological   |
|                                 | Indirect-Anticipation-Utilitarian    |
|                                 | Indirect-Opportunistic-Conventional  |
|                                 | Direct-Restrictive-Conventional      |
|                                 | Direct-Avoidance-Conventional        |
|                                 | Direct-Opportunistic-Utilitarian     |
|                                 | Direct-Avoidance-Deontological       |
|                                 | Direct-Opportunistic-Deontological   |
|                                 | Direct-Restrictive-Utilitarian       |
|                                 | Indirect-Restrictive-Conventional    |



## Appendix 7: Top 25 items for which Members took Loans

**2006 Top 25 items for which Members took Loans**

(Amount in Taka)

| FEMALE MEMBERS |                        |              |               | MALE MEMBERS |                          |              |             |
|----------------|------------------------|--------------|---------------|--------------|--------------------------|--------------|-------------|
| Order          | Item                   | No. of Loans | Amount        | Order        | Item                     | No. of Loans | Amount      |
| 1              | Milch cow              | 765,075      | 5,934,980,583 | 1            | Milch cow                | 30,749       | 300,933,062 |
| 2              | Grocery shop           | 557,196      | 5,683,025,114 | 2            | Grocery shop             | 22,125       | 233,277,323 |
| 3              | Cow fattening          | 751,574      | 5,131,401,434 | 3            | Paddy husking            | 27,171       | 229,411,447 |
| 4              | Paddy husking          | 428,111      | 2,890,963,795 | 4            | Cow fattening            | 28,367       | 225,977,498 |
| 5              | Rice/Paddy trading     | 377,183      | 2,836,236,671 | 5            | Rice/Paddy trading       | 21,964       | 173,973,729 |
| 6              | Paddy cultivation      | 227,624      | 1,494,941,969 | 6            | Land lease               | 11,839       | 122,301,503 |
| 7              | Land lease             | 168,906      | 1,363,716,568 | 7            | Stationery shop          | 11,849       | 113,240,657 |
| 8              | Stationery shop        | 149,402      | 1,251,383,248 | 8            | Vegetables trading       | 7,999        | 81,861,322  |
| 9              | Bamboo works           | 153,310      | 1,174,355,705 | 9            | Bamboo works             | 6,597        | 64,261,032  |
| 10             | Vegetables trading     | 149,442      | 1,144,204,673 | 10           | Rickshaw purchase        | 7,429        | 60,205,813  |
| 11             | Fish trading           | 153,729      | 1,038,835,563 | 11           | Higher education loan    | 6,928        | 50,290,214  |
| 12             | Rickshaw purchase      | 121,022      | 800,174,715   | 12           | Paddy cultivation        | 4,757        | 46,418,965  |
| 13             | Pisciculture           | 106,442      | 785,765,168   | 13           | Fish trading             | 4,806        | 45,885,850  |
| 14             | Cloths trading         | 82,604       | 769,369,699   | 14           | Timber trading           | 3,387        | 44,284,500  |
| 15             | Poultry raising        | 108,990      | 656,858,656   | 15           | Cloths trading           | 3,541        | 39,925,162  |
| 16             | Village Phone          | 94,468       | 630,692,952   | 16           | Betelleaf cultivation    | 4,103        | 39,279,730  |
| 17             | Bullock raising        | 87,156       | 624,548,514   | 17           | Weaving (Saree) making   | 3,186        | 38,351,562  |
| 18             | Other business         | 47,989       | 584,983,818   | 18           | Cloths shop              | 2,670        | 35,175,463  |
| 19             | Vegetables cultivation | 64,040       | 525,085,685   | 19           | Vegetables cultivation   | 3,556        | 34,241,617  |
| 20             | Farming                | 84,046       | 519,504,947   | 20           | Land cultivation         | 3,177        | 28,881,060  |
| 21             | Timber trading         | 51,788       | 467,984,160   | 21           | Water melon cultivation  | 2,704        | 25,824,224  |
| 22             | Cloths shop            | 46,957       | 455,642,911   | 22           | Van purchase             | 3,422        | 23,502,112  |
| 23             | Betelleaf cultivation  | 57,480       | 430,153,972   | 23           | Poultry raising          | 1,468        | 19,576,478  |
| 24             | Land cultivation       | 55,250       | 422,837,153   | 24           | Stationery goods trading | 1,647        | 19,275,280  |
| 25             | Plantation             | 54,106       | 412,381,657   | 25           | Bullock raising          | 1,902        | 18,159,653  |

Source: Journal of Bangladesh Bank (2005)

**Appendix 8: SPSS output****Crosstab****Notes**

|                        |                                  |  |
|------------------------|----------------------------------|--|
| Output Created         |                                  | 16-APR-2015 08:42:55   |
| Comments               |                                  |  |
| Input                  | Data                             | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav  |
|                        | Active Dataset                   | DataSet1   |
|                        | Filter                           | <none>   |
|                        | Weight                           | <none>   |
|                        | Split File                       | <none>   |
|                        | N of Rows in Working Data File   | 152  |
| Missing Value Handling | Definition of Missing Cases Used | User-defined missing values are treated as missing.<br><br>Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
| Syntax                 |                                  | CROSSTABS<br>/TABLES=Facilities BY User<br>/FORMAT=AVALUE TABLES<br>/STATISTICS=CHISQ<br>/CELLS=COUNT<br>/COUNT ROUND CELL.  |
| Resources              | Processor Time                   | 00:00:00.01  |
|                        | Elapsed Time                     | 00:00:00.00  |
|                        | Dimensions Requested             | 2  |
|                        | Cells Available                  | 131029   |

**Case Processing Summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 152   | 100.0%  | 0       | 0.0%    | 152   | 100.0%  |

**Importance of microfinance facilities \* user of microfinance Crosstabulation**  
 Count

|                                       |                    | user of microfinance |                      |                           |                         | Total |
|---------------------------------------|--------------------|----------------------|----------------------|---------------------------|-------------------------|-------|
|                                       |                    | a beginner           | an intermediate user | a fairly experienced user | a very experienced user |       |
| Importance of microfinance facilities | very important     | 1                    | 2                    | 14                        | 3                       | 20    |
|                                       | quite important    | 4                    | 10                   | 114                       | 3                       | 131   |
|                                       | not very important | 0                    | 0                    | 0                         | 1                       | 1     |
| Total                                 |                    | 5                    | 12                   | 128                       | 7                       | 152   |

**Chi-Square Tests**

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 27.858 <sup>a</sup> | 6  | .000                  |
| Likelihood Ratio             | 11.879              | 6  | .065                  |
| Linear-by-Linear Association | .003                | 1  | .954                  |
| N of Valid Cases             | 152                 |    |                       |

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .03.

**Crosstabs****Notes**

|                        |                                |   |
|------------------------|--------------------------------|---|
| Output Created         |                                | 16-APR-2015 08:50:27  |
| Comments               |                                |   |
| Input                  | Data                           | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav   |
|                        | Active Dataset                 | DataSet1  |
|                        | Filter                         | <none>  |
|                        | Weight                         | <none>  |
|                        | Split File                     | <none>  |
|                        | N of Rows in Working Data File | 152   |
| Missing Value Handling | Definition of Missing          | User-defined missing values are treated as missing.   |
|                        | Cases Used                     | Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
| Syntax                 |                                | CROSSTABS<br>/TABLES=Facilities BY User<br>/FORMAT=AVALUE TABLES<br>/STATISTICS=CHISQ<br>/CELLS=COUNT<br>/COUNT ROUND CELL.     |
| Resources              | Processor Time                 | 00:00:00.01   |
|                        | Elapsed Time                   | 00:00:00.00   |
|                        | Dimensions Requested           | 2   |
|                        | Cells Available                | 131029  |

**Case Processing Summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 152   | 100.0%  | 0       | 0.0%    | 152   | 100.0%  |

**Importance of microfinance facilities \* user of microfinance Crosstabulation**

Count

|                                       |                    | user of microfinance |                      |                           |                         | Total |
|---------------------------------------|--------------------|----------------------|----------------------|---------------------------|-------------------------|-------|
|                                       |                    | a beginner           | an intermediate user | a fairly experienced user | a very experienced user |       |
| Importance of microfinance facilities | very important     | 1                    | 2                    | 14                        | 3                       | 20    |
|                                       | quite important    | 4                    | 10                   | 114                       | 3                       | 131   |
|                                       | not very important | 0                    | 0                    | 0                         | 1                       | 1     |
|                                       | Total              | 5                    | 12                   | 128                       | 7                       | 152   |

**Chi-Square Tests**

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 27.858 <sup>a</sup> | 6  | .000                  |
| Likelihood Ratio             | 11.879              | 6  | .065                  |
| Linear-by-Linear Association | .003                | 1  | .954                  |
| N of Valid Cases             | 152                 |    |                       |

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .03.

**Crosstabs****Notes**

|                  |                                |   |
|------------------|--------------------------------|---|
| Output Created   |                                | 16-APR-2015 08:52:42  |
| Comments         |                                |   |
| Input            | Data                           | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav   |
|                  | Active Dataset                 | DataSet1  |
|                  | Filter                         | <none>  |
|                  | Weight                         | <none>  |
|                  | Split File                     | <none>  |
|                  | N of Rows in Working Data File | 152   |
| Missing Handling | ValueDefinition of Missing     | User-defined missing values are treated as missing.   |
|                  | Cases Used                     | Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
| Syntax           |                                | CROSSTABS<br>/TABLES=Facilities BY User<br>/FORMAT=AVALUE TABLES<br>/STATISTICS=CHISQ<br>/CELLS=COUNT<br>/COUNT ROUND CELL.     |
| Resources        | Processor Time                 | 00:00:00.01   |
|                  | Elapsed Time                   | 00:00:00.00   |
|                  | Dimensions Requested           | 2   |
|                  | Cells Available                | 131029  |

**Case Processing Summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 145   | 95.4%   | 7       | 4.6%    | 152   | 100.0%  |

**Importance of microfinance facilities \* user of microfinance Crosstabulation**

Count

|                                       |                 | user of microfinance |                      |                           | Total |
|---------------------------------------|-----------------|----------------------|----------------------|---------------------------|-------|
|                                       |                 | a beginner           | an intermediate user | a fairly experienced user |       |
| Importance of microfinance facilities | very important  | 1                    | 2                    | 14                        | 17    |
|                                       | quite important | 4                    | 10                   | 114                       | 128   |
| Total                                 |                 | 5                    | 12                   | 128                       | 145   |

**Chi-Square Tests**

|                              | Value             | df | Asymp. Sig. (2-sided) |
|------------------------------|-------------------|----|-----------------------|
| Pearson Chi-Square           | .691 <sup>a</sup> | 2  | .708                  |
| Likelihood Ratio             | .613              | 2  | .736                  |
| Linear-by-Linear Association | .676              | 1  | .411                  |
| N of Valid Cases             | 145               |    |                       |

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .59.

**Crosstabs****Notes**

|                  |                                |   |
|------------------|--------------------------------|---|
| Output Created   | 16-APR-2015 08:55:06           |   |
| Comments         |                                |   |
| Input            | Data                           | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav |
|                  | Active Dataset                 | DataSet1  |
|                  | Filter                         | <none>  |
|                  | Weight                         | <none>  |
|                  | Split File                     | <none>  |
|                  | N of Rows in Working Data File | 152   |
| Missing Handling | ValueDefinition of Missing     | User-defined missing values are treated as missing.     |

|           |                      |   |
|-----------|----------------------|---|
| Syntax    | Cases Used           | Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
|           |                      | CROSSTABS<br>/TABLES=Facilities BY User<br>/FORMAT=AVALUE TABLES<br>/STATISTICS=CHISQ<br>/CELLS=COUNT<br>/COUNT ROUND CELL.     |
| Resources | Processor Time       | 00:00:00.01   |
|           | Elapsed Time         | 00:00:00.00   |
|           | Dimensions Requested | 2   |
|           | Cells Available      | 131029  |

### Case Processing Summary

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 145   | 95.4%   | 7       | 4.6%    | 152   | 100.0%  |

### Importance of microfinance facilities \* user of microfinance Crosstabulation

Count

|                                       |                 | user of microfinance |                      |                           | Total |
|---------------------------------------|-----------------|----------------------|----------------------|---------------------------|-------|
|                                       |                 | a beginner           | an intermediate user | a fairly experienced user |       |
| Importance of microfinance facilities | very important  | 1                    | 2                    | 14                        | 17    |
|                                       | quite important | 4                    | 10                   | 114                       | 128   |
| Total                                 |                 | 5                    | 12                   | 128                       | 145   |



**Chi-Square Tests**

|                              | Value             | df | Asymp. Sig. (2-sided) |
|------------------------------|-------------------|----|-----------------------|
| Pearson Chi-Square           | .691 <sup>a</sup> | 2  | .708                  |
| Likelihood Ratio             | .613              | 2  | .736                  |
| Linear-by-Linear Association | .676              | 1  | .411                  |
| N of Valid Cases             | 145               |    |                       |

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .59.

**Crosstabs****Notes**

|                  |                                |   |
|------------------|--------------------------------|---|
| Output Created   |                                | 16-APR-2015 08:57:08  |
| Comments         |                                |   |
| Input            | Data                           | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav   |
|                  | Active Dataset                 | DataSet1  |
|                  | Filter                         | <none>  |
|                  | Weight                         | <none>  |
|                  | Split File                     | <none>  |
|                  | N of Rows in Working Data File | 152   |
| Missing Handling | ValueDefinition of Missing     | User-defined missing values are treated as missing.   |
|                  | Cases Used                     | Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
| Syntax           |                                | CROSSTABS<br>/TABLES=Facilities BY User<br>/FORMAT=AVALUE TABLES<br>/STATISTICS=CHISQ<br>/CELLS=COUNT<br>/COUNT ROUND CELL.     |
| Resources        | Processor Time                 | 00:00:00.01   |
|                  | Elapsed Time                   | 00:00:00.00   |
|                  | Dimensions Requested           | 2   |
|                  | Cells Available                | 131029  |

**Case Processing Summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 17    | 11.2%   | 135     | 88.8%   | 152   | 100.0%  |

**Importance of microfinance facilities \* user of microfinance Crosstabulation**

Count

|  | user of microfinance |                      |                           | Total |
|--|----------------------|----------------------|---------------------------|-------|
|  | a beginner           | an intermediate user | a fairly experienced user |       |
| Importance of microfinance facilities very important | 1                    | 2                    | 14                        | 17    |
| Total  | 1                    | 2                    | 14                        | 17    |

**Chi-Square Tests**

|                    | Value |
|--------------------|-------|
| Pearson Chi-Square | a     |
| N of Valid Cases   | 17    |

a. No statistics are computed because Importance of microfinance facilities is a constant.

**Crosstabs****Notes**

|                        |                                |   |
|------------------------|--------------------------------|---|
| Output Created         |                                | 16-APR-2015 08:58:31  |
| Comments               |                                |   |
| Input                  | Data                           | /Users/mnaser/Documents/PhD_data_analysis/Untitled2.sav   |
|                        | Active Dataset                 | DataSet1  |
|                        | Filter                         | <none>  |
|                        | Weight                         | <none>  |
|                        | Split File                     | <none>  |
|                        | N of Rows in Working Data File | 152   |
| Missing Value Handling | Definition of Missing          | User-defined missing values are treated as missing.   |
|                        | Cases Used                     | Statistics for each table are based on all the cases with valid data in the specified range(s) for all variables in each table. |
| Syntax                 |                                | CROSSTABS   |
| Resources              | Processor Time                 | 00:00:00.01   |
|                        | Elapsed Time                   | 00:00:00.00   |
|                        | Dimensions Requested           | 2   |
|                        | Cells Available                | 131029  |

**Case Processing Summary**

|  | Cases |         |         |         |       |         |
|--|-------|---------|---------|---------|-------|---------|
|  | Valid |         | Missing |         | Total |         |
|  | N     | Percent | N       | Percent | N     | Percent |
| Importance of microfinance facilities * user of microfinance | 140   | 92.1%   | 12      | 7.9%    | 152   | 100.0%  |

**Importance of microfinance facilities \* user of microfinance Crosstabulation**

Count

|                                       |                 | user of microfinance |                           | Total |
|---------------------------------------|-----------------|----------------------|---------------------------|-------|
|                                       |                 | an intermediate user | a fairly experienced user |       |
| Importance of microfinance facilities | very important  | 2                    | 14                        | 16    |
|                                       | quite important | 10                   | 114                       | 124   |
| Total                                 |                 | 12                   | 128                       | 140   |

**Chi-Square Tests**

|                                    | Value             | df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|-------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square                 | .356 <sup>a</sup> | 1  | .551                  |                      |                      |
| Continuity Correction <sup>b</sup> | .015              | 1  | .903                  |                      |                      |
| Likelihood Ratio                   | .321              | 1  | .571                  |                      |                      |
| Fisher's Exact Test                |                   |    |                       | .629                 | .410                 |
| Linear-by-Linear Association       | .353              | 1  | .552                  |                      |                      |
| N of Valid Cases                   | 140               |    |                       |                      |                      |

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.37.

b. Computed only for a 2x2 table

**Frequency Table****Rate the essence of Microfinance**

|       |                      | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------|-----------|---------|---------------|--------------------|
| Valid | very important       | 76        | 50.0    | 50.0          | 50.0               |
|       | Quite important      | 65        | 42.8    | 42.8          | 92.8               |
|       | not very important   | 10        | 6.6     | 6.6           | 99.3               |
|       | not important at all | 1         | .7      | .7            | 100.0              |
|       | Total                | 152       | 100.0   | 100.0         |                    |

**user of microfinance**

|         |                           | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|---------------------------|-----------|---------|---------------|--------------------|
| Valid   | an intermediate user      | 12        | 7.9     | 8.6           | 8.6                |
|         | a fairly experienced user | 128       | 84.2    | 91.4          | 100.0              |
|         | Total                     | 140       | 92.1    | 100.0         |                    |
| Missing | a beginner                | 5         | 3.3     |               |                    |
|         | a very experienced user   | 7         | 4.6     |               |                    |
|         | Total                     | 12        | 7.9     |               |                    |
| Total   |                           | 152       | 100.0   |               |                    |

**Importance of microfinance facilities**

|       |                    | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------------|-----------|---------|---------------|--------------------|
| Valid | very important     | 20        | 13.2    | 13.2          | 13.2               |
|       | quite important    | 131       | 86.2    | 86.2          | 99.3               |
|       | not very important | 1         | .7      | .7            | 100.0              |
|       | Total              | 152       | 100.0   | 100.0         |                    |

**Gender**

|       |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------|-----------|---------|---------------|--------------------|
| Valid | male   | 2         | 1.3     | 1.3           | 1.3                |
|       | female | 150       | 98.7    | 98.7          | 100.0              |
|       | Total  | 152       | 100.0   | 100.0         |                    |

**Age Grouped**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | 16-25 | 2         | 1.3     | 1.3           | 1.3                |
|       | 26-35 | 83        | 54.6    | 54.6          | 55.9               |
|       | 36-45 | 60        | 39.5    | 39.5          | 95.4               |
|       | 46-55 | 4         | 2.6     | 2.6           | 98.0               |
|       | 56-65 | 3         | 2.0     | 2.0           | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**Interested in training**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 145       | 95.4    | 95.4          | 95.4               |
|       | No    | 7         | 4.6     | 4.6           | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**VAR00001**

|         |        | Frequency | Percent |
|---------|--------|-----------|---------|
| Missing | System | 152       | 100.0   |

**interest rate charged**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 7         | 4.6     | 4.6           | 4.6                |
|       | No    | 145       | 95.4    | 95.4          | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**banks have good scope through Microfinance**

|         |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------|-----------|---------|---------------|--------------------|
| Valid   | Yes   | 93        | 61.2    | 66.9          | 66.9               |
|         | No    | 46        | 30.3    | 33.1          | 100.0              |
|         | Total | 139       | 91.4    | 100.0         |                    |
| Missing | 99.00 | 13        | 8.6     |               |                    |
| Total   |       | 152       | 100.0   |               |                    |

**Loan from banks or MFI's**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Banks | 30        | 19.7    | 19.7          | 19.7               |
|       | MFIs  | 122       | 80.3    | 80.3          | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**factors are more crucial for rapid growth of MFI's**

|       |                                  | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------------------|-----------|---------|---------------|--------------------|
| Valid | Low interest rate                | 3         | 2.0     | 2.0           | 2.0                |
|       | Availability                     | 132       | 86.8    | 86.8          | 88.8               |
|       | Processing & authorising of loan | 16        | 10.5    | 10.5          | 99.3               |
|       | Repayment factor                 | 1         | .7      | .7            | 100.0              |
|       | Total                            | 152       | 100.0   | 100.0         |                    |

**Microfinance has helped in Rural Bangladesh**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 143       | 94.1    | 94.1          | 94.1               |
|       | No    | 9         | 5.9     | 5.9           | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**Concept Rural VS Urban**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 150       | 98.7    | 98.7          | 98.7               |
|       | No    | 2         | 1.3     | 1.3           | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**Microfinance's help for unemployed urban youth**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 150       | 98.7    | 98.7          | 98.7               |
|       | No    | 2         | 1.3     | 1.3           | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**Microfinance is a tool to eliminate poverty**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | Yes   | 15        | 9.9     | 9.9           | 9.9                |
|       | No    | 137       | 90.1    | 90.1          | 100.0              |
|       | Total | 152       | 100.0   | 100.0         |                    |

**The future of Microfinance and entrepreneurship**

|         |        | Frequency | Percent |
|---------|--------|-----------|---------|
| Missing | System | 152       | 100.0   |

**Which MFI**

|       |          | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------|-----------|---------|---------------|--------------------|
| Valid | Grameen  | 80        | 52.6    | 52.6          | 52.6               |
|       | ASA      | 56        | 36.8    | 36.8          | 89.5               |
|       | BRAC     | 8         | 5.3     | 5.3           | 94.7               |
|       | Proshika | 6         | 3.9     | 3.9           | 98.7               |
|       | Other    | 2         | 1.3     | 1.3           | 100.0              |
|       | Total    | 152       | 100.0   | 100.0         |                    |